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Report to Report to Congressional Committees

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FORCE STRUCTURE

Streamlining Plans Could Enable Navy to Reduce Personnel Below Fiscal Year 1999 Goal

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National Security and
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The Honorable Dirk Kempthorne
Chairman, Subcommittee on Personnel
Committee on Armed Services
United States Senate

The Honorable Stephen Buyer
Chairman, Subcommittee on Military Personnel
Committee on National Security
House of Representatives

This report discusses (1) the size and composition of Navy active duty forces between 1989 and 1999, (2) the Navy's plans to achieve its fiscal year 1999 active duty force goal and initiatives that could further reduce forces beyond the planned fiscal year 1999 level, and (3) the Navy's processes for determining active military force requirements. Because of your expressed interest in oversight of military personnel issues, we are addressing this report to you. This report should be useful to your Committees in deliberations on the future size and composition of the Navy. This report contains two recommendations to the Secretary of the Navy and matters for congressional consideration.

We are sending copies of this report to the Secretaries of Defense and the Navy and the Director, Office of Management and Budget. Copies will also be made available to others on request.

If you or your staff have any questions on this report, please call me on (202) 512-3504. Major contributors to this report are listed in appendix II.

Richard L Davis

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Analysis

Executive Summary

Purpose

Since the end of the Cold War, the U.S. Navy has reduced its active military forces by about 28 percent and has plans to further reduce its personnel to help modernize a smaller but more capable force. In 1996, pay and allowances for active duty Navy personnel was $17 billion, or about 25 percent of the Navy's total obligational authority. Because of congressional concerns about active duty personnel levels, GAO examined (1) the size and composition of Navy active duty forces between 1989 and 1999, (2) the Navy's plans to achieve its fiscal year 1999 active duty force goal and initiatives that could further reduce forces beyond the planned fiscal year 1999 level, and (3) the Navy's processes for determining active military force requirements. GAO has issued related reports on the Army and the Air Force.[1]

Background

The 1993 Department of Defense (DOD) Bottom-Up Review assessed the security needs of the United States. The review concluded that there was a need for a naval force of 12 aircraft carriers, 11 air wings, 45 to 55 attack submarines, and 346 battle force ships to carry out the national military strategy. Although the review did not specify the personnel force level needed to execute the strategy, defense guidance subsequently specified that the Navy should reduce its active duty personnel to 394,900.[2]

In 1996, the Congress established minimum active end strengths for each service. The 1997 Defense Authorization Act gave the Secretary of Defense limited flexibility to decrease each service's minimum end strength by 1 percent. The Navy's minimum end strength was set at 395,000.

For defense planning purposes, DOD has divided force structure and associated military and civilian personnel into two basic categories—mission and infrastructure. Mission programs include those in combat; direct combat support; intelligence; research, development, test, and evaluation; command, control, and communications; and space. The Navy's infrastructure programs comprise activities that provide support services and primarily operate from fixed locations. Infrastructure activities include acquisition infrastructure; installation support; central command, control, and communications; central logistics; central medical; central personnel; force management; and central training. As of

[1]Force Structure: Army Support Forces Can Meet Two-Conflict Strategy With Some Risks (GAO/NSIAD-97-66, Feb. 28, 1997) and Force Structure: Potential Exists to Further Reduce Active Air Force Personnel (GAO/NSIAD-97-78, Mar. 28, 1997).

[2]The term "personnel" is used throughout this report to connote positions for which funding has been requested or provided.

September 30, 1996, about 55 percent of active duty personnel were in mission-related positions, the remainder being in infrastructure positions.

The Navy uses different processes to determine personnel requirements for its mission forces and its shore establishment. The biggest difference between the two processes is the top-down approach of the process for determining mission-related personnel requirements and the bottom-up approach of the shore process. For most mission forces, the Navy uses centrally established measurable criteria to form the basis for its personnel requirement levels for specific missions. The Navy uses a decentralized "efficiency review" process conducted by 22 separate commands to determine personnel requirements for its infrastructure activities and a small portion of its mission activities, such as intelligence, research and development, and command and control—about half of the Navy's active duty personnel. Under this process, the Navy's major commands[3] identify personnel requirements for the shore-based activities. The Assistant Chief of Navy Personnel for Total Force Programming, Manpower, and Information Resources Management is the Navy's policy and program manager for determining shore personnel requirements. For the last 25 years, numerous audit reports by GAO and other organizations have criticized the Navy's various processes to determine shore personnel requirements.

The Federal Managers' Financial Integrity Act (FMFIA) requires that agency internal control systems be periodically evaluated and that the heads of executive agencies report annually on their systems' status. FMFIA requires that a corrective action plan be devised and that milestones be established to correct identified problems.

Results in Brief

The Navy plans to reduce its active military forces from 592,652 in fiscal year 1989 to 394,900 in fiscal year 1999. By the end of fiscal year 1999, infrastructure-related positions will have been reduced at a slightly greater rate than mission-related positions. During the drawdown, the Navy plans to reduce the number of enlisted personnel at a higher rate than officers and the number of junior officers and enlisted personnel at higher rates than senior personnel. While officers and enlisted personnel in mission-related positions will decline by nearly the same percentage, enlisted personnel will decline by a greater percentage than officers in infrastructure positions. As a result, the proportion of officers in

[3]This report uses the term "major command" to refer to the major commanders or bureaus that are authorized personnel resources directly by the Chief of Naval Operations to accomplish assigned missions and tasks.

infrastructure positions will increase from about 17 percent in fiscal year 1989 to 21 percent in fiscal year 1999. The effect is that costs will not decline in proportion to personnel.

As of September 30, 1996, the Navy had reduced its active military personnel by 164,700 primarily by decommissioning ships, submarines, and aircraft squadrons and closing shore-based activities. The Navy will need to reduce its forces by another 33,100 to reach its end strength goal by continuing to close bases, decommission ships, submarines, and aircraft squadrons, plus reducing recruiting and associated training and outsourcing some functions. In addition, the Navy has ongoing initiatives that could eliminate thousands of personnel positions (military and civilian) after the year 2000. Some initiatives, such as implementing labor-saving technologies and changing existing policies, are expected to eliminate positions on ships, submarines, and in aircraft squadrons. The Navy will also continue its efforts to reduce shore positions by regionalizing, consolidating, and outsourcing various activities.

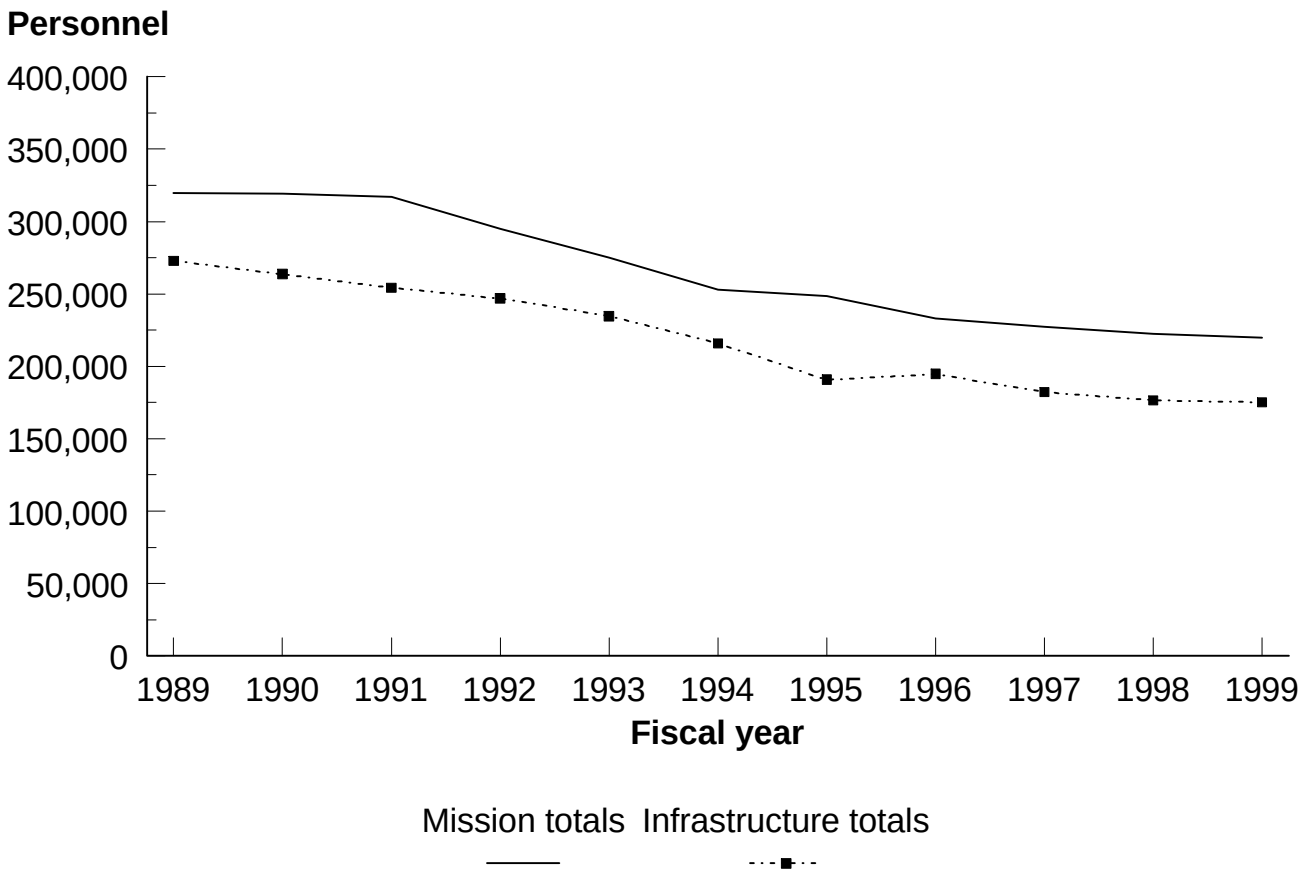
For 25 years, the Navy has not properly assessed personnel requirements for its shore-based activities primarily because of the low priority that the Navy traditionally gave to managing the shore establishment, ineffective Navy management and oversight of the shore requirements program, and changes in program direction. Neither Navy headquarters nor most of the shore commands have devoted the attention and resources to make the shore requirements program work. Past evaluations of the requirements process for mission-related personnel have not surfaced similar or other major shortcomings. Therefore, GAO focused primarily on the shore requirements process. The Navy is instituting several measures to strengthen the shore requirements program. However, without continued high-level Navy support and long-term commitment, there is no guarantee that the fate of these proposals will be any different than those of earlier years. The Navy has little assurance that resources are being used efficiently and that its shore establishment is appropriately sized without an effective long-term program for determining personnel requirements. Accordingly, GAO believes this represents a material weakness in the Navy that should be reported under the Federal Managers' Financial Integrity Act. GAO believes improving the requirements process is particularly important as the Navy looks for savings and efficiencies to modernize and recapitalize its operating forces.

Principal Findings

Personnel Assigned to Mission Programs Reduced Slightly Less Than Personnel Assigned to Infrastructure Programs

Since 1989, the Navy has reduced active duty personnel assigned to mission and infrastructure activities. The Navy anticipates that by fiscal year 1999, it will have cut mission-related active duty end strength from about 319,800 in fiscal year 1989 to about 219,800 in fiscal year 1999, or 31 percent; infrastructure-related end strength will decrease from about 272,900 in fiscal year 1989 to about 175,100 in fiscal year 1999, or 36 percent, as seen in figure 1.

Figure 1: Navy Downsizing Trends—Personnel Assigned to Mission and Infrastructure Programs for Fiscal Years 1989 to 1999



Source: GAO analyses of DOD Future Years Defense Program data.

Note: Fiscal year 1989-94 personnel numbers are actual figures, while fiscal year 1995-99 personnel numbers are Navy estimates.

By the end of 1999, the Navy will have reduced two key components within each of these categories. Within the mission category, the Navy plans to reduce combat forces and direct support forces by

decommissioning ships, submarines, and air squadrons. About 81 percent of the infrastructure cuts will be in training and personnel functions. To achieve these reductions, the Navy plans to close and consolidate recruit and general skill training centers and to reduce professional education programs. It also plans to eliminate flight training positions, as it decreases the total numbers of pilots and naval flight officers. Downsizing personnel administration and recruiting activities will also help the Navy meet its end strength goal by fiscal year 1999.

The composition of the Navy's active duty force will also change between fiscal year 1989 and 1999. A larger percentage of enlisted personnel positions will be reduced than is planned for officer positions. For example, the Navy plans to eliminate about 180,100 enlisted positions—about 35 percent—and 17,600 active duty officer positions, or about 24 percent, by fiscal year 1999. During the drawdown, the Navy's personnel have grown more senior in rank because the Navy has eliminated a higher percentage of personnel in its junior ranks than its senior ranks, and the number of personnel joining the force has declined. Navy officials attribute this trend primarily to the increased technical nature of the modern Navy, which requires higher skilled personnel, and the need to fill positions on the joint staff and DOD agencies, which require higher graded people.

Navy Has Plan to Reach Force Goal, but Initiatives Could Lead to Further Decreases

The Navy will need to eliminate about 33,100 military positions during fiscal years 1997 through 1999 to meet its fiscal year 1999 goal of 394,900 active duty personnel. Almost three quarters of the cuts will be taken from four areas: reducing the number of ships, submarines, and aircraft; eliminating recruit and general skills training positions; eliminating military base support positions, largely through outsourcing; and reducing the number of temporary positions needed for a smaller force. Temporary positions include those for personnel changing stations, patients, prisoners, and a small number of positions that the Navy reserves to meet critical short-term shortages.

In addition to these planned cuts, the Navy has ongoing initiatives that could further reduce active military force levels at shore activities and aboard ships. However, the Navy is unsure of both the number of military positions that could be eliminated and when the cuts could be achieved because many studies have not been completed. For example, analyses to regionalize and consolidate shore activities are ongoing in San Diego, California; Jacksonville and Pensacola, Florida; Pearl Harbor, Hawaii;

Washington, D.C.; Norfolk, Virginia; and Puget Sound, Washington. While these studies have not been completed, Navy officials believe regionalizing and consolidating shore-based activities could save millions of dollars mainly by improving business practices and eliminating civilian and military positions.

The Navy's Smart Ship program is designed to reduce the number of military personnel aboard ships by incorporating labor-saving technologies and changing crewing policies. The Navy will not quantify expected savings until it completes the tests on the U.S.S. Yorktown and issues its test report in June 1997. Once these tests are completed, the Navy hopes to apply the same principles and technologies to other ships in the fleet, thus multiplying the benefits. In addition to the Smart Ship program, the Navy is designing future ships—LPD-17, CVX, and SC-21 class ships—to operate with reduced crews. If these new ships are built and crewed as currently envisioned, the Navy could further reduce personnel requirements as it replaces older, more personnel-intensive ships.

Shore Personnel Requirements Program Has Been Ineffective for More Than Two Decades

Over a period of many years, the Congress has expressed concern about the Navy's shore personnel requirements program and has on several occasions directed the Navy to develop a more rigorous system to justify shore-based personnel needs. The Navy has not resolved the problems raised by the Congress. Examples of problems cited are (1) many of the major shore commands have not complied with one or more program requirements, (2) reviews often have not used standards to compare one function to another or between similar functions at separate activities, and (3) the quality and consistency of reviews differ from one command to another and often even between similar activities. In essence, few commands have devoted the attention and resources necessary to make the program work. In most cases, the efficiency review program has become one of justifying existing resource allocations rather than evaluating alternative combinations of people, material, facilities, and organizational structures to ensure that the most cost-effective combination of resources is used, as Navy instructions specify.

The various audit organizations that have reviewed this program attribute its ineffectiveness primarily to weak Navy management and oversight. While the Assistant Chief of Navy Personnel for Total Force Programming, Manpower, and Information Resources Management is the Navy's policy and program manager for determining shore personnel requirements, this office has not adequately overseen the decentralized efficiency review

program. According to a Naval Audit Service report, for example, the responsible office has made only limited challenges to obvious efficiency review problems and did not identify the serious problems discussed in previous audit reports. Other factors, such as the number of Navy organizations that provide funding to the shore establishment, have also made the program difficult to manage.

The Navy has taken steps to strengthen the current shore requirements program. For example, it is changing the program to enable comparative analyses of like functions and is working to standardize base operating support functions to facilitate unit costing. However, without high-level, long-term Navy support and commitment, and improved management oversight, there is no assurance that the fate of these initiatives will be any different than those of earlier years.

Recommendations

To improve the management and allocation of personnel resources to the shore establishment, GAO recommends that the Secretary of the Navy report to the Secretary of Defense the lack of an effective shore requirements determination program as a material weakness under FMFIA to maintain visibility of the issue and ensure action is taken. GAO also recommends that the Secretary of the Navy create an action plan with milestones to resolve long-standing problems with the shore personnel requirements program. The plan should specifically explain how the Navy will attempt to overcome the fundamental problems—such as lack of senior Navy management commitment to effective management of the shore establishment and ineffective management oversight and accountability—that have plagued this program.

Matters for Congressional Consideration

Given the long history of congressional concern over the Navy's ability to effectively determine the size and composition of its shore establishment, the Congress may wish to require the Navy to submit its plan of action, with milestones, to the Congress. In addition, as part of this plan, the Congress may also want the Navy to demonstrate its progress and provide specific details on the steps it has taken at headquarters and at the major command level to (1) improve management oversight and accountability of the personnel requirements determination process at all levels; (2) increasingly utilize standardization and comparative analysis of like activities as part of the requirements process; (3) improve staff training and ensure that only technically qualified staff conduct efficiency reviews; and (4) establish a link between the shore personnel requirements process

and the Navy's various initiatives to reduce its shore infrastructure, many of which were discussed in chapter 3 of this report.

Agency Comments

DOD partially concurred with the recommendation in GAO's draft report that the lack of a valid shore requirements determination program be reported as a material weakness under the FMFIA. While DOD agreed that there have been weaknesses and inconsistencies in the execution of the Navy's shore personnel requirements program, it believes the Navy has a valid program and that improvements have been and continue to be implemented. For these reasons, DOD did not agree to report this issue as a material weakness. GAO acknowledges in this report that the Navy has recently undertaken various initiatives to improve its process for identifying shore personnel requirements. This is the same pattern the Navy has followed over the past 25 years—that is, after a critical audit report, the Navy initiates changes and promises improvements. Unfortunately, the expected improvements have not occurred. Because of this long-standing pattern and the importance of this issue, GAO continues to believe that the shore personnel requirements program should be reported as a material weakness under FMFIA. We have modified the recommendation somewhat, however, to focus on the effectiveness rather than the validity of the program. The Navy also provided technical comments on GAO's draft report, which GAO considered in preparing the final report. DOD's comments on a draft of this report are reprinted in appendix I.

DOD concurred with the recommendation that the Secretary of the Navy develop an action plan with milestones to ensure that positive results of ongoing initiatives are sustained.

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Abbreviations

DOD	Department of Defense
FMFIA	Federal Managers' Financial Integrity Act
FYDP	Future Years Defense Program
GAO	General Accounting Office
MFT	Mission Function Task
MRC	Major Regional Conflict
NAVMAC	Navy Manpower Analysis Center
O&M	operations and maintenance
OSD	Office of the Secretary of Defense
ROC/POE	Required Operational Capability/Projected Operational Environment
SHORSTAMPS	Shore Requirements, Standards, and Manpower Planning System

Introduction

The Department of Defense's (DOD) 1993 Bottom-Up Review determined that the Navy would have 11 active and 1 reserve aircraft carriers, 11 air wings, 45 to 55 attack submarines, and 346 battle force ships to carry out the national military strategy. The review did not specify the number of military personnel required to implement the national strategy. However, DOD later determined that the active components would consist of about 1.4 million active duty personnel, 394,900 of which would be Navy personnel.

Military Pay and Allowances Are a Large Part of Navy's Total Obligational Authority

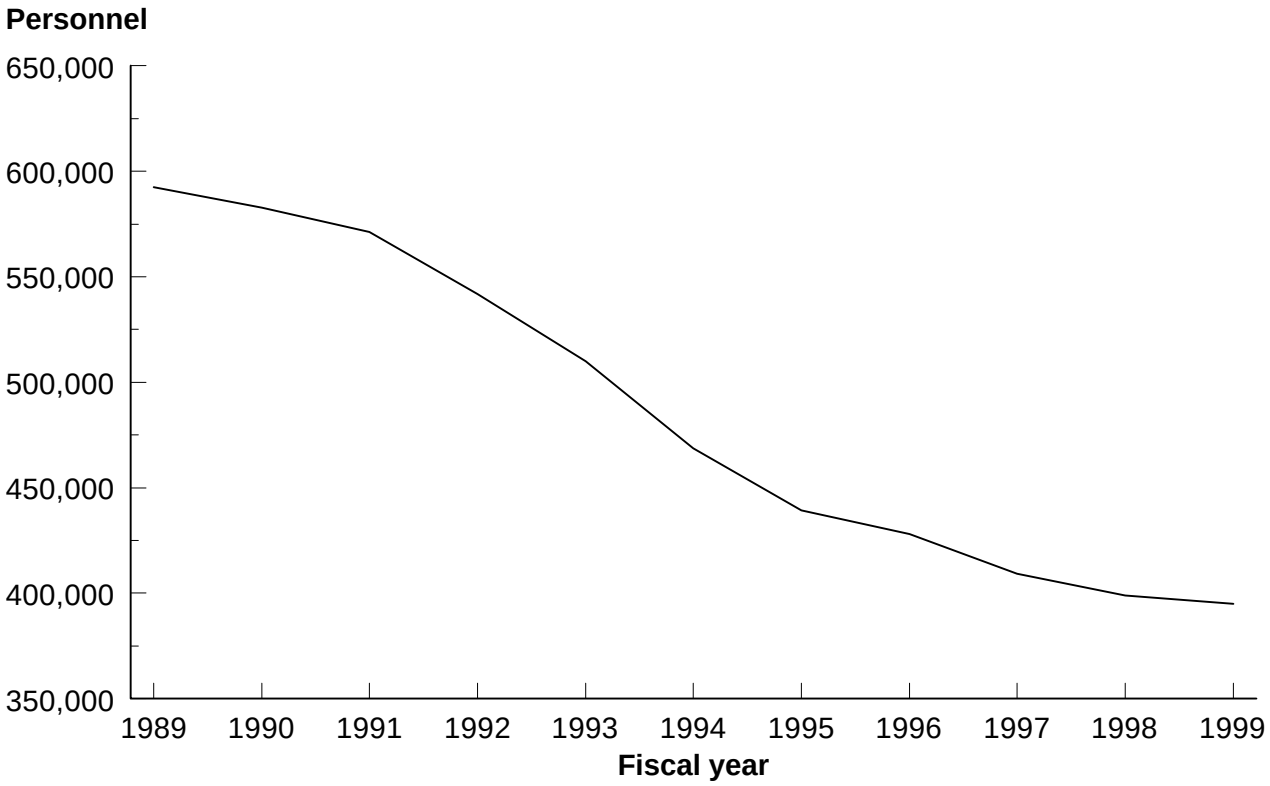
Pay and allowances for active and reserve personnel are funded through the military personnel appropriation, comprising 27 percent of the Navy's total obligational authority of $66.7 billion for fiscal year 1996. A total of almost $18.3 billion was budgeted for military personnel—$17 billion for active personnel and $1.3 billion for reserves. This amount was exceeded only by the Navy's operation and maintenance (O&M) appropriation category, which totaled $22.1 billion. The O&M appropriation includes salaries and benefits for about 222,400 civilian personnel. With military pay and allowances encompassing a significant portion of the budget, the Navy is looking to reduce this budget category, in part, to increase financing for long-term force modernization and recapitalization programs.

Navy Will Have Reduced Its Force by One-Third by Fiscal Year 1999

The Navy reduced its active duty authorized force by about 28 percent from the post-Cold War high of 592,692 personnel[1] in fiscal year 1989 to 428,000 in fiscal year 1996. The Navy anticipates reducing its forces by an additional 33,100 personnel to reach its goal of 394,900 active duty personnel by the end of fiscal year 1999. This amount represents a 33-percent reduction since fiscal year 1989, as shown in figure 1.1.

[1]The term "personnel" is used throughout this report to connote positions for which funding has been requested or provided.

Figure 1.1: Changes in Active Duty Navy Personnel Between Fiscal Year 1989 and 1999



Source: GAO analysis of DOD Future Years Defense Program (FYDP) data.

Note: Fiscal year 1989-94 personnel numbers are actual figures, while fiscal year 1995-99 personnel numbers are Navy estimates.

Congressional Actions Stem Drawdown of Active Duty Personnel

The Congress established minimum active duty personnel levels for each military service as part of the National Defense Authorization Act for Fiscal Year 1996. The Navy's minimum end strength was set at 395,000. In creating the personnel floors, the Congress sought to (1) ensure the services had an adequate number of personnel to carry out the national military strategy and (2) show that the drawdown of active forces was

over to avoid future recruiting and retention problems. The Congress believed the personnel floors would assist the services to manage the effects of high operations and personnel tempo.

The National Defense Authorization Act for Fiscal Year 1997 allows the Secretary of Defense limited flexibility to decrease personnel by 1 percent of the floors. For the Navy, this means the active duty force cannot drop below 391,050 personnel. The legislation requires the services to obtain statutory authority for decreases below 1 percent of the floors.

Active Duty Force Consists of Mission and Infrastructure Forces

For defense planning purposes, DOD has divided its forces into two basic categories—mission and infrastructure.[2] Navy mission programs consist of the aircraft carriers, air wings, submarines, and battle force ships (as defined in the Bottom-Up Review) and the forces that provide direct combat support; intelligence; and command, control and communications in wartime. Activities that provide support to the mission forces and primarily operate from fixed locations, such as installations, bases, and shipyards, are classified as infrastructure programs. Infrastructure programs are divided into the following eight categories: acquisition infrastructure; installation support; central command, control, and communications; central logistics; central medical; central personnel; force management; and central training. Since fiscal year 1989, personnel assigned to mission programs have ranged between 54 to 57 percent of the Navy's total active duty forces, while personnel assigned to infrastructure programs have comprised the balance, ranging between 43 to 46 percent of the force structure.

More than 90 percent of the Navy's total mission forces is comprised of combat and direct support forces. Combat forces consist of all tactical naval forces—tactical air forces, sea based antisubmarine warfare forces, surface combatant ships and submarines, maritime patrol and undersea surveillance forces, amphibious, and mine warfare forces. Direct support forces provide support to various segments of naval tactical forces. Examples include fleet communications, destroyer tenders, and intermediate aircraft maintenance.

Four infrastructure categories—installation support, central medical, central personnel, and central training—comprised approximately

[2]In June 1995, the Institute for Defense Analysis issued a manual and mapping scheme that categorizes each of the FYDP program elements as either mission or infrastructure programs. The FYDP is an authoritative record of current and projected force structure, costs, and personnel levels that have been approved by the Secretary of Defense.

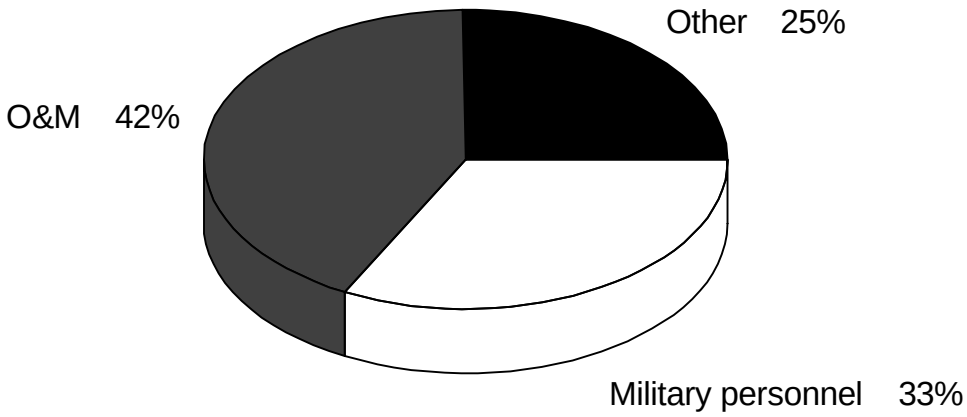
85 percent of the Navy's total infrastructure force in fiscal year 1996. Central training and central medical were the two largest Navy infrastructure categories that year, with combined forces totaling 106,756 personnel, or almost 55 percent of the personnel assigned to infrastructure-related activities. Central training consists of activities that furnish funding, equipment, and personnel to provide nonunit training of new personnel and multiple types of skill and proficiency training. Central medical consists of all hospitals and other medical activities that directly support the medical care system, including medical training, management of the medical system, and support of medical installations.

Military Personnel and O&M Appropriations Fund a Sizeable Portion of Navy Infrastructure Activities

As shown in figure 1.2, most of the Navy's direct infrastructure activities in fiscal year 1996 are funded by two appropriations—O&M, about 42 percent, and military personnel, about 33 percent. The O&M appropriation provided $11.7 billion for Navy infrastructure activities, while the military personnel appropriation provided $9 billion. In April 1996, we reported[3] that these appropriations were closely associated with the force's readiness and quality-of-life—priority areas of the Secretary of Defense for the last few years.

[3]An analysis of DOD's direct infrastructure funding by appropriation for fiscal years 1996-2001 is included in Defense Infrastructure: Budget Estimates for 1996-2001 Offer Little Savings for Modernization (GAO/NSIAD-96-131, Apr. 4, 1996).

Figure 1.2: Direct Infrastructure Funding by Navy Appropriation for Fiscal Year 1996



Source: GAO analysis of DOD FYDP data.

Objectives, Scope, and Methodology

Because of congressional concerns about active duty personnel levels, we examined (1) the changes in size and composition of Navy active duty forces between fiscal year 1989 and 1999, (2) the Navy's plans to reduce forces to mandated minimum levels by fiscal year 1999 and initiatives that could further reduce forces beyond these levels, and (3) the Navy's processes for determining active force requirements. Companion reports on the Army and the Air Force have also been published.[4]

To determine how the size and composition of Navy active duty forces have changed since the end of the Cold War, we analyzed end strength and funding level data contained in the historical FYDP database and the fiscal year 1996 FYDP. We used DOD's Office of Program and Evaluation definition of mission and infrastructure program elements and analyzed changes

[4]Force Structure: Army Support Forces Can Meet Two-Conflict Strategy With Some Risks (GAO/NSIAD-97-66, Feb. 28, 1997) and Force Structure: Potential Exists to Further Reduce Active Air Force Personnel (GAO/NSIAD-97-78, Mar. 28, 1997).

between fiscal year 1989 and 1999. We used these years because 1989 represents the most recent peak for active duty Navy personnel, at the end of the Cold War, and 1999 is the year the Navy is expected to reach its goal of 394,900 personnel. We discussed changes and apparent trends with responsible Navy officials from the Office of the Deputy Chief of Naval Operations (Manpower and Personnel).

To determine how the Navy plans to reduce forces by fiscal year 1999, we reviewed the historical FYDP and 1996 FYDP forecasts and discussed areas that were projected to decline significantly with responsible personnel from the Deputy Chief of Naval Operation's Total Force Programming/Manpower Directorate. To determine the effect current cost saving initiatives could have on personnel levels, we met with cognizant officials from the offices directing the initiatives. We also met with headquarters manpower and personnel officials; manpower officials at the Commander in Chief, Atlantic Fleet, in Norfolk, Virginia; and the Commander in Chief, Pacific Fleet, in Pearl Harbor, Hawaii. We had numerous discussions with responsible officials at the Navy Manpower Analysis Center (NAVMAC) in Millington, Tennessee. Finally, we visited four ships from different classes and discussed their current and projected end strength levels with senior officer and enlisted personnel. Due to the nature of this review, we did not do a detailed analysis of each cost savings initiative. We currently have other work underway to specifically examine DOD's outsourcing, consolidation, and regional maintenance efforts.

To determine how the Navy establishes its active force requirements, we interviewed manpower and personnel officials from Navy headquarters, NAVMAC officials, fleet manpower specialists, and contractor officials who help develop requirements documents for Navy ships. We also interviewed the heads of the manpower analysis teams of the Atlantic and Pacific Commanders in Chief and officials from some of the Navy's other major shore commands who identify personnel requirements for these commands. We reviewed pertinent documentation, as well as prior reports issued by the Naval Audit Service, the Navy Inspector General's office, and us, and met with officials from the Naval Audit Service in Falls Church, Virginia. We focused our efforts primarily on the Navy's process for determining shore personnel requirements and on improvements that are being made to the process, since this is where the Navy has encountered the greatest criticism. Because past evaluations have not identified major shortcomings in mission-related personnel requirements, we did not

review this process in detail. Nor did we evaluate whether the process yields accurate mission requirements.

Our review was performed from October 1995 to February 1997 in accordance with generally accepted government auditing standards.

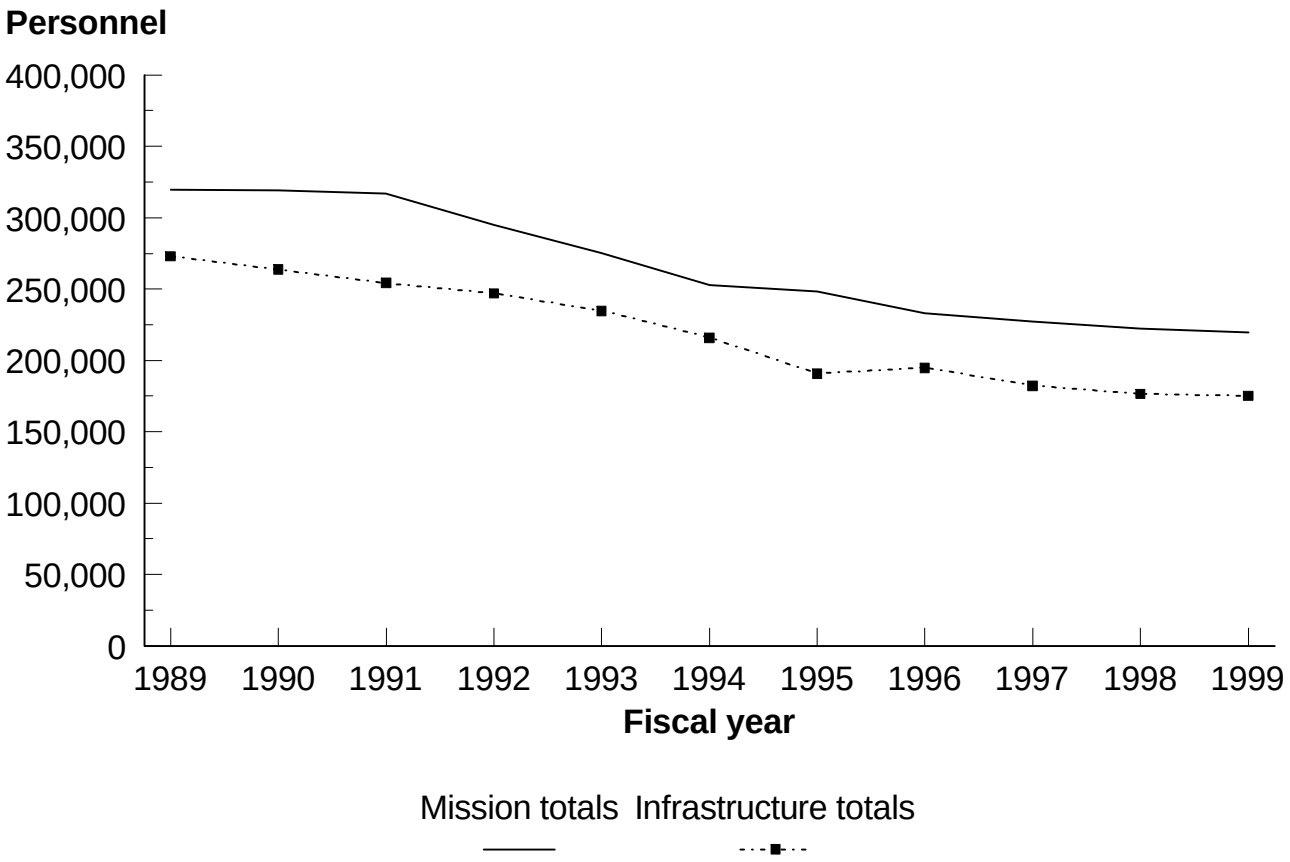
Navy Will Have a Smaller, More Senior Force by Fiscal Year 1999

The Navy expects to reduce its active duty forces by about 197,800 personnel between fiscal year 1989 and 1999. Infrastructure-related program forces will be reduced at a slightly higher rate than mission-related program forces. The Navy's active duty force of fiscal year 1999 will be more senior and experienced than the fiscal year 1989 force because the Navy plans to reduce the number of (1) enlisted personnel at a higher rate than officers and (2) junior officers and enlisted personnel at higher rates than senior personnel. Although several factors limit the Navy's flexibility in managing the forces during the downsizing process, such as the large number of officer positions controlled by legislation rather than Navy policy, the Navy anticipates meeting its 394,900-personnel goal by the end of fiscal year 1999.

Navy Has Proportionately Reduced Forces Assigned to Mission and Infrastructure Programs

The Navy has significantly reduced the number of forces assigned to both mission and infrastructure-related programs and further reductions are planned. Through fiscal year 1996, the Navy reduced mission program forces by about 86,600 positions, or approximately 27 percent, and infrastructure program forces by about 78,100 positions, or approximately 29 percent, below the fiscal year 1989 personnel levels. During the remainder of the drawdown period—fiscal years 1997 to 1999—infrastructure program forces will be reduced more than mission-related program forces. The Navy's plans show infrastructure program forces will decline by another 19,700 personnel, while mission-related program forces will decline by about 13,400 personnel. As shown in figure 2.1, the Navy plans to reduce mission-related program forces by about 100,000 positions, or approximately 31 percent, and infrastructure-related program forces by about 97,800 positions, or 36 percent, between fiscal year 1989 and 1999. Navy officials believe that it is important to continue reducing the size of its infrastructure past fiscal year 1999; however, due to the uncertainty about what savings might be achieved and when, current FYDP projections do not show active duty military personnel in the infrastructure-related forces decreasing beyond fiscal year 2000.

Figure 2.1: Navy Downsizing Trends—Personnel Assigned to Mission and Infrastructure Programs for Fiscal Years 1989 to 1999



Source: GAO analysis of DOD FYDP data.

Navy Will Reduce Forces by Eliminating Combat and Direct Support Forces

The Navy's plans show that two key components within the mission-related categories will sustain most of the personnel drawdown. For example, between fiscal year 1989 and 1999, about 95 percent of the total reductions earmarked for mission forces will occur in two major components: combat forces and direct support forces. Combined, these two mission-related categories will decrease by about 95,000 personnel by

the end of fiscal year 1999. The changes in Navy personnel requirements for mission-related force structure categories are shown in table 2.1.

Table 2.1: Changes in Active Duty Forces by Mission Category Between Fiscal Year 1989 and 1999

Mission category	FY 1989	FY 1999	Change	Percent change
Combat forces	198,502	141,404	(57,098)	(29)
Direct support forces	101,178	63,261	(37,917)	(37)
All other mission forces[a]	20,092	15,116	(4,976)	(25)
Total	**319,772**	**219,781**	**(99,991)**	**(31)**

[a]Other mission forces include intelligence; research, development, test, and evaluation; command, control and communication; and space programs.

Source: GAO analysis of DOD FYDP data.

The Navy accelerated its drawdown in fiscal year 1992 after completing its involvement in Operation Desert Storm. By decommissioning many ships, submarines, and air squadrons, and eliminating associated direct support forces, the Navy was able to reduce a major portion of its mission-related personnel requirements. Between fiscal year 1989 and 1996, decommissioning actions resulted in net decreases in the force structure: 3 aircraft carriers; 8 cruisers; 73 surface combatants—battleships, cruisers, destroyers, and frigates; 39 submarines; 206 F-14A aircraft; and 229 A-6E aircraft.

According to Navy officials and FYDP data, the Navy is taking the following actions to reduce combat forces between fiscal year 1989 and 1999:

- decommissioning nonmissile frigates, thereby eliminating 12,098 positions;
- reducing the force structure assigned to submarine-launched ballistic missiles, eliminating 8,563 positions;
- reducing the number of steam driven cruisers and destroyers in the active fleet while building 18 Arleigh Burke class destroyers, eliminating 5,718 positions;
- decommissioning all 4 battleships, eliminating 5,246 positions;
- reducing the force structure assigned to attack submarines, eliminating 5,272 positions;
- decommissioning most of its A-6 squadrons, eliminating 3,623 positions; and
- decommissioning all of its A-7 air squadrons, resulting in the loss of 1,699 positions.

Along with its combat forces, the Navy is also reducing its active duty direct support forces. For example, the Navy is

- eliminating 7,662 positions assigned to underway replenishment ships;
- decreasing the number of attack submarines, thereby eliminating 5,731 other positions assigned to submarine support functions;
- decommissioning support ships, thereby eliminating 5,562 positions;
- reducing its active duty P-3 fleet, thereby eliminating 4,119 active duty positions assigned to antisubmarine warfare patrol squadrons; and
- reducing the number of active aircraft carriers and associated air wings, thereby eliminating 434 E-2 squadron positions.

Majority of Infrastructure-Related Cuts Will Occur in Central Training and Central Personnel

The Navy will reduce infrastructure-related active duty forces by about 97,800 personnel between fiscal year 1989 and 1999. The reductions in personnel for each of the eight infrastructure-related force structure categories are shown in table 2.2.

Table 2.2: Changes in Active Duty Forces by Infrastructure Category Between Fiscal Year 1989 and 1999

Infrastructure category	FY 1989	FY 1999	Change	Percent change
Central training	129,775	63,662	(66,113)	(51)
Central personnel	40,226	27,078	(13,148)	(33)
Installation support	34,037	25,401	(8,636)	(25)
Force management	21,973	17,598	(4,375)	(20)
Central logistics	9,713	7,704	(2,009)	(21)
Central command, control, and communications	3,482	1,480	(2,002)	(58)
Central medical	32,782	31,420	(1,362)	(4)
Acquisition infrastructure	892	776	(116)	(13)
Total	**272,880**	**175,119**	**(97,761)**	**(36)**

Source: GAO analysis of DOD FYDP data.

The greatest number of personnel decreases in infrastructure-related program forces are expected to occur in central training and central

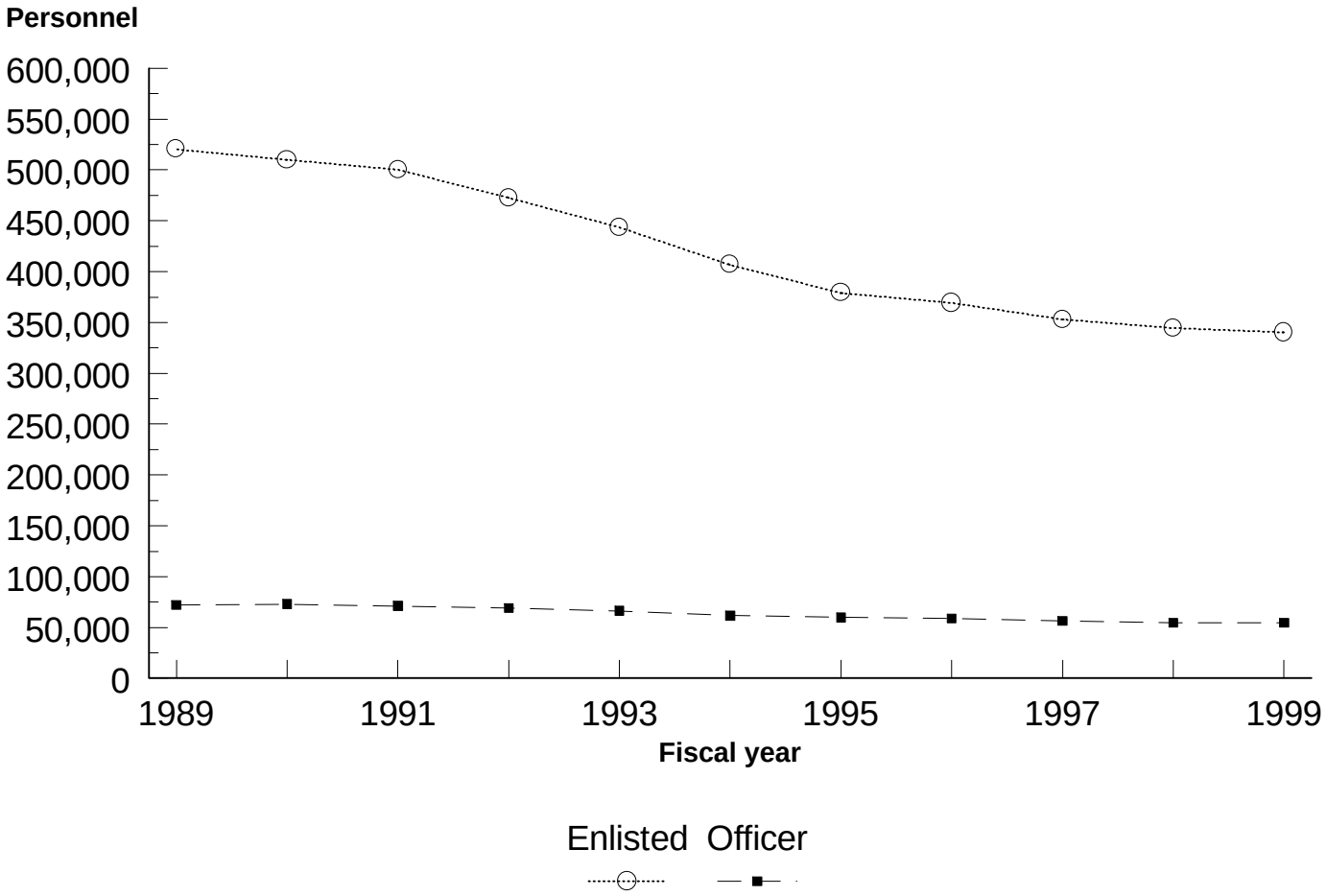
personnel activities. The decline in central training is caused primarily by the large decrease in the Navy's mission force structure. As the mission program force structure declines, the number of students also declines, and requirements for instructors likewise diminish. According to a Navy official, most of the central training drawdown is attributed to (1) closing the two recruit training centers at San Diego, California, and Orlando, Florida, and consolidating the remaining recruit training functions at the Great Lakes Training Center, Illinois, and (2) closing general skill training centers. Declining requirements for flight training and other professional education programs—including reducing enrollment in the Naval Academy and preparatory schools—also contribute to the drawdown of personnel in central training functions.

The drawdown experienced by the central personnel function is also associated with a smaller active duty mission force structure. As the force structure declined, requirements for recruiting activities were reduced, and the requirement for accessions also declined. The single largest drawdown in central personnel activities has been in the number of transients—those on travel, leave in route, or temporary duty status (except for training) while on permanent change of station orders. The number of transients is expected to decline from 24,712 to 16,053 personnel, or 35 percent, between fiscal year 1989 and 1999.

Enlisted Personnel Will Be Reduced More Than Officers

During this downsizing process, the size and composition of active duty naval forces have changed and will continue to change. A higher rate of junior grade enlisted personnel and junior grade officers will be released from active duty than their senior grade counterparts. A larger proportion of enlisted personnel will be eliminated from infrastructure-related activities when compared to the percentage of officers eliminated from similar activities. Navy enlisted personnel will experience a larger percentage of the overall reductions than is planned for the officer corps. For example, the number of enlisted personnel will decline by about 180,100 positions, or about 35 percent; however, the number of officers will decline by only 17,600 positions, or about 24 percent, by fiscal year 1999, as shown in figure 2.2. According to Navy officials, the greater decline in enlisted personnel is due primarily to the increased technical nature of the modern Navy and the number of officers assigned to positions over which the Navy has no control, such as joint/DOD positions.

Figure 2.2: Decline in the Number of Officers and Enlisted Personnel Between Fiscal Year 1989 and 1999



Source: GAO analysis of DOD FYDP data.

Military Personnel Will Grow More Senior in Rank During Downsizing

The gradual "grade creep" experienced by both officers and enlisted personnel is another change in the composition of the active duty force. Officers and enlisted personnel will grow more senior in rank during the downsizing because more personnel in junior ranks will leave the force compared to those in senior ranks. For example, our analysis shows that

senior officer ranks—commander through admiral—will decline by about 12 percent between fiscal year 1989 and 1997. However, the junior officers—ensign through lieutenant commander—will decline by about 23 percent during the same period. A similar trend also exists at the senior enlisted grades. Senior enlisted personnel—second class petty officer (E-5) to master chief petty officer (E-9)—will decline by about 29 percent between fiscal year 1989 and 1997. However, junior enlisted personnel—seaman recruit (E-1) to 3rd-class petty officer (E-4)—will decline by 35 percent during the same period. Also, fewer personnel have joined the force.

An analysis of the top six enlisted pay grades provides another example of changes in the active duty force structure. In fiscal year 1989, about 70 percent of enlisted personnel occupied the top six pay grades—E-4 to E-9. However, Navy requirements call for the top six enlisted pay grades to increase slightly—reaching 73 percent by fiscal year 1998—because of the significant personnel downsizing within the enlisted personnel ranks. According to Navy officials, strength planners will limit this number to 69.9 percent. These changes substantiate the direction of the post-Cold War era Navy. In recent congressional testimony, the Chief of Naval Personnel stated that the Navy's personnel goal is "to grow a more senior and experienced force, to reduce our recruiting burden and stockpile needed skills and experience."

Greater Percentage of Enlisted Personnel Will Be Reduced in Infrastructure Categories

The mix of officers and enlisted personnel assigned to mission and infrastructure-related programs will also change during the downsizing period. Our analysis shows a parallel decline in officer and enlisted personnel assigned to mission programs. However, officers will experience a smaller percentage decrease in infrastructure-related activities. Between fiscal year 1989 and 1999, officers and enlisted personnel assigned to mission-related activities will decline by about 30 percent. However, in infrastructure-related activities, the officer corps will experience a 21-percent decrease, while enlisted personnel will decline by 39 percent, as shown in table 2.3.

Table 2.3: Changes in Officer and Enlisted Personnel in Mission and Infrastructure Programs Between Fiscal Year 1989 and 1999

	Mission programs		Infrastructure programs	
	Officers	Enlisted	Officers	Enlisted
FY 1989	26,512	293,260	45,641	227,239
FY 1999	18,502	201,279	36,048	139,071
Percent change	(30)	(31)	(21)	(39)

Source: GAO analysis of DOD and FYDP data.

According to Navy officials, one reason for the smaller percentage decrease of officers versus enlisted personnel in infrastructure forces can be attributed to the relatively large number of Navy officers assigned to medical and joint/DOD positions. These positions are classified as infrastructure and generally have a high number of officers. For example, in fiscal year 1996, about 10,800 Navy officers were assigned to such positions.

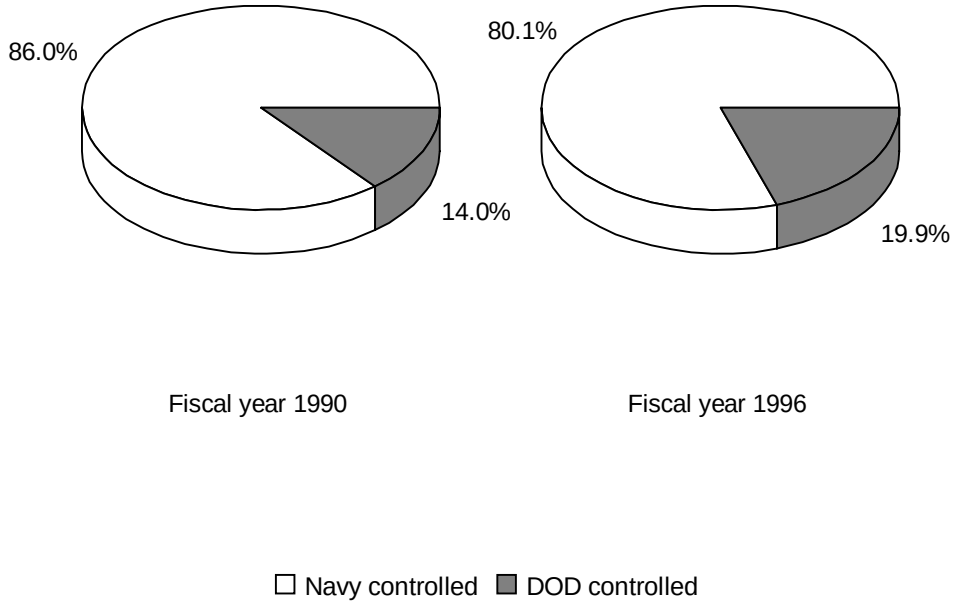
Medical and Joint/DOD Positions Have Remained Stable

The Navy does not determine requirements for some personnel because the positions are determined by law or controlled by other agencies. For example, the National Defense Authorization Act of 1991 restricts the Secretary of Defense from reducing military medical personnel unless DOD certifies the number of personnel being reduced is excess to current or projected needs and does not increase the cost of services provided under the Civilian Health and Medical Program of the Uniformed Services. Also, under the Goldwater-Nichols Defense Reorganization Act of 1986, the Secretary of Defense specifies the number of officer joint duty assignment positions that each service must fill. Further, DOD cannot increase or decrease the number of personnel that support the National Foreign Intelligence Program without approval from the Director of Central Intelligence. Likewise, the number of military positions within the Special Operations Command cannot be adjusted unless directed by the Deputy Secretary of Defense.

Navy officials noted that medical and joint/DOD duty positions, which have a high number of officers, account for most of the positions outside the direct control of the Navy. In fiscal year 1996, 20 percent of the Navy's active duty officer positions and about 9 percent of the active duty enlisted positions were beyond Navy control. Navy data show that the combined number of medical and joint duty DOD positions will remain relatively stable through fiscal year 1999, despite a 33-percent decline in the active duty force. As a result, the number of officer positions that the Navy

cannot unilaterally reduce has increased from 10,244, or 14 percent, in fiscal year 1990 to 11,703, or 20 percent, in fiscal year 1996, as seen in figure 2.3.

Figure 2.3: Increase in the Percentage of Navy Officers Assigned to DOD Positions Beyond Navy Control—Fiscal Years 1990 and 1996



Note: Navy database for fiscal year 1989 was incomplete; therefore, our basis of comparison is limited to fiscal year 1990.

Source: Navy Total Force Manpower Management System database.

In November 1995, the DOD Inspector General reported that although the services have reduced the number of active duty personnel, there has been no corresponding decrease in the number of joint positions. The report noted the services must still give priority to joint staffing, with a substantially smaller pool. The Inspector General also reported there was no standard methodology or criteria for determining and validating

personnel requirements. The National Defense Authorization Act for Fiscal Year 1997 requires us to review DOD's actions in response to the Inspector General's report. This review will be conducted in calendar year 1997.

Conclusions

Reduced Navy force structure and related support activities since the Gulf War have allowed the Navy to also significantly reduce the number of active duty personnel. These reductions are in keeping with the direction established in the Bottom-Up Review for shifting the focus from a national security strategy designed to meet a global Soviet threat to one oriented toward the post-Cold War era. So far, mission and infrastructure-related forces have been proportionately reduced. However, within these two broad categories, key components have sustained most of the drawdown. These components include the combat and direct support categories for mission programs and the central training and central personnel categories of the infrastructure. The number of personnel in other categories, such as intelligence and medical personnel, are beyond the Navy's control because the number of positions are limited by legislation or controlled by other agencies. Overall, however, the reductions have been more focused toward junior enlisted and officer personnel as less complex and technologically sophisticated platforms have been retired. Based on these trends, the Navy will move toward a more senior and experienced force, and as a result, pay-related costs will not decline in proportion to personnel.

Ongoing Initiatives Could Enable Navy to Reduce Personnel Below Its Fiscal Year 1999 Goal

In addition to plans for drawing down active military forces to 394,900 by fiscal year 1999, the Navy is working on ways to reduce the force further at shore activities and aboard ships. For example, the Navy is evaluating ways to regionalize and consolidate shore activities at many locations, which could save millions of dollars by employing better business practices and eliminating civilian and military positions. Initiatives that could further reduce at sea requirements include the Smart Ship program and future ship acquisition programs that emphasize smaller crews.

Navy Plans to Achieve Drawdown Goal by Fiscal Year 1999

The 1996 FYDP shows that the Navy plans to eliminate 33,100 active military requirements in moving from 428,000 personnel in fiscal year 1996 to 394,900 personnel in fiscal year 1999. Navy plans show that forces will be reduced in both mission and infrastructure categories. Table 3.1 shows the cuts that are programmed to occur as the Navy continues to close bases and decommission ships, submarines, and air squadrons; reduces recruiting, training, transient, and temporary positions; and eliminates or outsources base support positions.

Table 3.1: Planned Navy Force Cuts From Fiscal Years 1996 to 1999

Category	Planned force cuts[a]	
Mission		13,400
Combat and direct support (sea)	9,600	
Combat and direct support (shore)	3,000	
Other mission forces	800[b]	
Infrastructure		19,700
Recruit and general skills training	8,300	
Base operation support[c]	4,900	
Transient and holding accounts	2,000	
Recruiting	400	
Other infrastructure forces	4,100[b]	
Total		**33,100**

[a]All figures are rounded to the nearest hundred.

[b]These reductions will be spread across numerous categories with the requirements for most categories being cut by 100 positions or less.

[c]Includes positions at surface, subsurface, air, and training bases, and other base support positions.

Source: GAO analysis of DOD FYDP data.

Planned Cuts in Mission Forces

Although the Navy plans to commission 18 ships, 3 submarines, and 2 aircraft squadrons by September 30, 1999, it will continue to decommission more ships, submarines, and air squadrons than it commissions. The net effect is that the Navy will eliminate about 9,600 sea duty requirements from its combat and direct support forces by that date. Table 3.2 shows planned changes in force levels for certain ships, submarines, and aircraft squadrons between September 30, 1996, and September 30, 1999.

Table 3.2: Expected Changes in the Number of Navy Platforms Between Fiscal Year 1996 and 1999

Platforms	As of 9/30/96	Leaving the fleet	Joining the fleet	As of 9/30/99
Aircraft carriers	12	1	1	12
Cruisers	31	2	0	29
Destroyers	51	0	15	66
Frigates	43	12	0	31
Submarines	97	27	3	73[a]
Amphibious assault ships	22	2	2	22
Submarine tenders	4	1	0	3
Ammunition ships	4	4	0	0
Aircraft squadrons	155	6	2	151

[a]This number includes 55 attack submarines and 18 ballistic missile submarines.

Source: Chief of Naval Operations Manpower Resources Branch.

The Navy also plans to eliminate about 3,000 shore requirements from its combat and direct support forces. In all, the Navy will eliminate about 12,600 requirements from these two mission categories between fiscal year 1996 and 1999.

Planned Cuts in Infrastructure Forces

As shown by table 3.1, the Navy plans to eliminate about 19,700 positions from its infrastructure forces between fiscal year 1996 and 1999. Cuts in recruit and general skills training will account for about 8,300 of these positions. Some of these positions will be eliminated because the Navy will have fewer recruits to train, but several other factors will contribute to the cuts. For example, recruit training has been shortened by 2 weeks; therefore, the Navy needs fewer recruit training positions. Also, the Navy has eliminated several of its career fields, thus eliminating the need for some general skills training positions. Some general skills schools have

had their terms shortened, and the number of positions reduced as the Navy shifts from equipment specific training to more general training. Finally, the Navy is eliminating training positions as it shifts training from schools to operational units.

The Navy also plans to eliminate (1) more than 4,900 base operations support positions, primarily through outsourcing and base closures; (2) about 400 military recruiting positions due to reduced recruiting efforts and civilian substitution; and (3) about 2,000 positions from its transient and holding accounts[1] due to the decline in the Navy's total end strength and efforts to reduce the time people spend between duty stations.

Initiatives May Enable the Navy to Reduce Personnel Below Its Goal

Concurrent with its implementation of plans to downsize the active force level to 394,900, the Navy has begun a series of cost-saving initiatives designed to provide funds for modernization and recapitalization. The Navy expects these initiatives to achieve a portion of their cost savings by reducing active military personnel requirements on shore and at sea. However, it is less certain about the exact savings that it can achieve and when it will be able to eliminate the associated positions. As a result, the Navy did not fully program these anticipated personnel savings into its 1996 FYDP. Short-term efforts to regionalize and consolidate activities, and longer term efforts to improve base efficiency could reduce the number of shore positions. Initiatives that could reduce sea requirements include the Smart Ship program and future ship designs that emphasize reduced crew sizes. The Navy's regional maintenance initiative has already reduced both shore and sea requirements, and the Navy expects this initiative to achieve further personnel savings.

Shore-Based Initiatives

The Navy is evaluating opportunities to regionalize and consolidate shore-based activities so that redundant functions and overhead can be eliminated and management layers reduced. The evaluations are based on the fundamental principle that no individual organization should perform a function that a regional organization or the private sector can do more cost effectively. Evaluations of different locations are in various stages of implementation or planning. The initial analysis at San Diego is nearly complete, and the Navy expects to save about $40 million by reducing overhead and eliminating about 450 civilian and 265 military positions. The initial analyses at Jacksonville and Pearl Harbor are awaiting final

[1]The transient account includes positions for patients, prisoners, and personnel changing duty stations. Positions in the holding account are used to fill critical short-term shortages. The holding account comprises about 0.5 percent of the Navy's end strength.

approval, but the cuts are expected to be somewhat smaller than those at San Diego. The Navy recently began collecting and analyzing data to determine ways to regionalize and consolidate activities in several areas with large active duty populations—Norfolk, Pensacola, Puget Sound, and the National Capital regions. However, it is too early to project personnel savings from these initiatives. In addition, the Navy plans to begin initiatives at the remaining shore concentration areas, including Guam, Japan, Europe, Texas, New Orleans, and the Great Lake and Northeast regions, in the near future. According to Navy officials, these initiatives may eliminate hundreds of military positions at each location, but improved business practices and eliminated civilian positions are expected to produce the greatest savings.

Outsourcing/privatization[2] is one of the Navy's primary initiatives that is expected to yield savings. The Navy expects savings to begin accruing in fiscal year 2000 and increase to $1.3 billion per year by the end of fiscal year 2003. To achieve these savings, the Navy projects that it will need to open about 80,000 positions (50,000 civilian and 30,000 military) to outsourcing competition. In January 1997, the Navy announced plans to ask the private sector to submit bids to perform selected functions that Navy civilian and military personnel now perform in Guam, Puerto Rico, and throughout the United States. The Navy will then determine which functions can be performed less expensively by the private sector. Since only about 2,300 of the approximately 10,700 announced positions are military, it is likely that most of the savings from these initial outsourcing efforts will come from the Navy's civilian workforce. We recently issued a report that focused on DOD's outsourcing efforts.[3]

Navy officials believe that the installation management accounting project is a key to efficient shore infrastructure and could lead to further personnel streamlining. This project is aimed at standardizing the methods individual installations use to collect costs for their core business areas and key functions and sub-functions. Historically, cost collection methods varied among installations, and information was not always available to help Navy managers determine the true costs of performing certain functions. For example, they often did not know the cost of providing

[2]Under both outsourcing and privatization, private firms provide services the Navy previously performed. Under outsourcing, the Navy retains ownership of facilities and maintains a significant degree of participation and control of operations. Under privatization, the Navy divests ownership of certain assets. For simplification, we use the term outsourcing to refer to both outsourcing and privatization.

[3]Base Operations: Challenges Confronting DOD as It Renews Emphasis on Outsourcing (GAO/NSIAD-97-86, Mar. 11, 1997).

bachelor enlisted and officer quarters because utility and military personnel costs were not tracked for these facilities. Utility and military personnel costs were often tracked at the base level or higher. By December 1996, the Navy had identified its core business areas and key functions and had developed cost and coding schemes that it is continuing to refine. The Navy hopes to implement this project during the last quarter of fiscal year 1997 and to have reliable cost data for individual functions and activities by fiscal year 1998. The data will enable local managers to use personnel and other assets more efficiently on their bases and will also provide the information necessary for headquarter organizations to compare the costs of performing similar functions at different locations. According to Navy officials, this project is expected to achieve personnel and other cost savings as improved information leads to better decisions and "best practices" are shared among locations.

Another shore initiative that could reduce military positions is the Smart Base project. This project's goal is to increase shore installation efficiency through the use of commercially available technologies and/or management methods. Promising applications will be tested at Naval Station Pascagoula, Mississippi, or Naval Shipyard Portsmouth, New Hampshire, and installation could begin as early as March 1997. No personnel savings have been projected yet.

Sea-Based Initiatives

In addition to potential shore duty cuts, the Navy expects to reduce military personnel by eliminating some sea duty requirements, primarily as a result of the Smart Ship program. This program was begun in December 1995 to reexamine the way the Navy crews surface ships. Its goal is to reduce workloads by implementing labor-saving technology and changing crewing policies. The Navy solicited proposals from commercial, academic, and Navy technical experts and approved more than 90 proposals for evaluation on 1 of its Aegis cruisers, U.S.S. Yorktown. Tests are being conducted during the ship's December 1996 through April 1997 deployment, and the final report is scheduled to be issued by June 30, 1997. The Navy will reduce the size of the U.S.S. Yorktown's crew if the report shows that workload has been reduced sufficiently.

The Navy will not project personnel savings for the Smart Ship program until it completes deployment testing aboard the U.S.S. Yorktown and proves that the ship can meet its mission requirements with a smaller crew without compromising ship or crew safety. Although the U.S.S. Yorktown was expected to leave up to 50 personnel ashore during its deployment

testing, final personnel savings could be much smaller. Previous sea trials that tested innovative concepts were not all successful. However, if current tests are successful, the Navy hopes to apply the findings to other ships in the fleet and new ship designs, thereby multiplying any identified personnel savings.

Some savings could come from changes in the basic assumptions about the way the Navy operates. For example, the Navy is testing a "reliability centered maintenance concept" on the U.S.S. Yorktown. Under this concept, the crew operates relatively inexpensive equipment until it fails and then replaces it, rather than using the Navy's standard manpower-intensive, preventive maintenance procedures. The Navy is also testing a new watch organization on the ship. This organization is based on a core team that will be supplemented by response or reaction teams. Because the Navy could easily transfer these concepts to other ships, it could quickly achieve personnel savings if the new maintenance concept and shipboard watch organization are successfully demonstrated on the U.S.S. Yorktown. However, it may take years to achieve some other Smart Ship savings that require the installation of new computers and other labor-saving equipment as ships are overhauled and modernized.

The Navy had also hoped to achieve savings by eliminating sea duty requirements through "optimum manning" proposals. Between December 1995 and November 1996, the Navy issued 25 proposals to reduce workload and training costs for ships, submarines, and aviation squadrons through requirements, policy, and equipment changes. According to Navy estimates, these proposals could have saved up to $203 million a year. However, by December 1996, only one proposal had been accepted. Most of the other proposals met with opposition, but a few are being tested under the Smart Ship program for later consideration.

The associated personnel savings of some sea-based initiatives are not expected to accrue until after fiscal year 1999. For example, new classes of ships requiring smaller crews, such as the CVX, LPD-17, and SC-21, will not reach the fleet until after the turn of the century. However, if these future ships are built and crewed as currently envisioned, they could reduce military personnel requirements in the next decade and beyond, as they replace older, more personnel-intensive ships.

Regional Maintenance

The Navy expects its regional maintenance initiative to enable it to reduce personnel requirements at sea and on shore by eliminating excess

infrastructure, integrating maintenance and supply functions, providing customers with a single accountable provider of maintenance, and evenly distributing workload between maintenance facilities.[4] However, it is difficult to assign specific personnel savings to this initiative because it is closely linked with base closures and ship decommissionings. For example, Navy plans to decommission several destroyer and submarine tenders were accelerated due to the initiative, which resulted in this initiative eliminating 7,395 sea duty repair requirements in fiscal years 1995 and 1996. However, requirements that were eliminated outside the repair departments were not attributed to this initiative. The same type of uncertainty exists when tabulating shore personnel savings associated with this initiative. For example, some maintenance facilities were recommended for consolidation and closure under both this initiative and the last base realignment and closure process. Between fiscal year 1996 and 2003, the Navy expects to eliminate about 3,200 additional military requirements as a result of this initiative. About 800 of these requirements will be eliminated from the planned decommissioning of the submarine tender U.S.S. Simon Lake in fiscal year 1999.

Protected Positions and Navy Rotation Policies Could Inhibit Navy From Making Some Cuts

The Navy cannot consider reducing certain parts of its force due to protective legislation. For example, regionalization and consolidation studies could not recommend cuts in medical positions as a result of consolidations if the recommended cuts would push medical levels below the floors provided in the National Defense Authorization Act for Fiscal Year 1996. Legislation also protects some foreign intelligence positions.

In addition, it is questionable whether the Navy would eliminate or outsource shore positions if the specific cuts would adversely affect sea/shore rotation. Because the Navy found that retention suffers as sea duty and family separation increase, it established equitable sea/shore rotation as a goal for all career enlisted personnel—E-5 through E-9. The goal states that personnel should have a minimum of 3 years of shore duty for every 3 years of sea duty. While the Navy does not create shore positions just to meet the rotation goal, it considers military sea/shore rotation in deciding whether to shift military shore positions to civilians or contractors.

[4]The Navy plans to implement this initiative in three overlapping phases. The first phase, which began in fiscal year 1995, integrated and consolidated the intermediate maintenance facilities that perform minor repairs, such as calibrating, repairing, or replacing damaged equipment, parts, or components. The second phase, begun in fiscal year 1996, integrates and consolidates intermediate maintenance facilities with depot level maintenance facilities, which perform major repairs. The third phase will improve business practices and integrate maintenance processes and information management systems, beginning in fiscal year 1997.

Despite attempts to balance rotation, more than half of the Navy's career enlisted personnel are exceeding the sea duty goal. Therefore, Navy officials are closely evaluating prospective shore duty cuts from the standpoint of how they would affect rotation. However, if sea duty requirements continue to decline as a result of decommissionings, implementation of Smart Ship concepts and technologies, and the introduction of new ship designs, fewer shore positions will be needed to balance sea/shore rotation. Therefore, more shore positions could be filled with civilians or contractors, if they are less costly.

Conclusions

Due to uncertainties about the number of requirements that would be affected, the Navy did not use any substantial savings from the Smart Ship and Smart Base projects, the regionalization and consolidation initiative, or the installation management accounting project when projecting future personnel requirements in the 1996 FYDP. Therefore, although the Navy has not officially expressed a desire to go below its personnel goal of 394,900, it is possible that these ongoing initiatives could push personnel levels below that goal by the end of fiscal year 1999. Depending on the success of these initiatives, outsourcing, and the introduction of new ships with reduced crews, the Navy could reduce its military personnel even further in the future.

Problems Still Exist With Navy's Shore Personnel Requirements Program

The Navy has had a long-standing problem quantifying the size of its shore infrastructure needed to support its operating forces. Despite concerns raised by the Congress and various audit organizations for more than 20 years, many of the same problems continue with the current program. Problems continue primarily because of the low priority the Navy has traditionally given to managing the shore establishment and the ineffective oversight of the shore requirements program. Without an effective requirements program, the Navy has little assurance that resources directed at personnel requirements are being used in the most efficient way possible and that its shore establishment is appropriately sized. Having an effective program is particularly important as the Navy looks for savings and efficiencies to modernize and recapitalize its operating forces.

Navy Uses Separate Processes to Determine Personnel Requirements for Forces at Sea and on Shore

The Navy uses separate processes to determine personnel requirements for its operating forces and its shore-based personnel who support the operating forces. Traditionally, the Navy has devoted its greatest attention to its operating forces—its ships, submarines, and squadrons that form the basis of its contribution to U.S. national security. As such, according to Navy officials, the management and funding of these forces have received the Navy's highest priority and attention, while the management of the shore infrastructure has been secondary. These priorities are reflected in the processes the Navy uses to establish personnel requirements for its forces at sea and on shore and the extent to which the processes have been implemented as intended.

Requirements Process for Mission-Related Personnel

The Navy's process to determine personnel requirements for its operating forces is a centralized top-down approach that is based on measurable criteria and involves close cooperation between headquarters and the fleets. The process begins when the Navy's warfare sponsors[1] use the national military strategy and the Navy's war plans to draft the required operational capability/projected operational environment (ROC/POE) statement for individual operational units. In these documents, the warfare sponsors identify the primary missions the units must be fully capable of performing during wartime and the secondary warfare missions that the units are also expected to perform, but which are not essential to carrying out the wartime mission. The ROC/POE statements also list specific capabilities to support the assigned missions under various operating conditions. Warfare sponsors are responsible for ensuring that assigned

[1]Warfare sponsors are responsible for the planning, programming, and procuring of resources and for resource assessments. They also fund resources and set policy and are often referred to as resource sponsors.

missions and required capabilities in the ROC/POE statements are consistent for similar units.

After an operational unit's ROC/POE has been drafted, NAVMAC reviews it and develops a personnel requirements document for the unit. The warfare sponsor then combines the personnel requirements document with the draft ROC/POE statement and forwards the package to both fleet and headquarter units for review and comment. Before the final versions of these documents are signed and issued, the Deputy Chief of Naval Operations for Plans, Policy, and Operations reviews them to ensure they comply with established naval policies and doctrines. Finally, the warfare sponsor signs the ROC/POE and the Assistant Chief of Naval Personnel for Total Force Programming, Manpower, and Information Resources Management approves the manpower documents.

Because past evaluations of the Navy's process for determining personnel requirements for the operating forces have not surfaced major shortcomings in the process, we did not review this process in detail. NAVMAC officials consider this process to yield accurate mission requirements and attribute the success of the fleet requirements process to three factors:

- Well-defined workload. ROC/POE statements provide the means for defining the measurable workloads necessary to accomplish the Navy's missions. They list the types of equipment that must be operated and the training that must be conducted for a unit to meet its mission requirement, under each condition of readiness (general quarters, wartime cruising, peacetime cruising, and peacetime in port).
- Centralized requirements determination. Although the requirements determination process for operating forces is driven from the top down, it has active involvement from the Navy's operating forces and technical experts. ROC/POE statements and personnel requirements documents are not finalized until everyone from the Navy's manpower organizations to the fleet commanders in chief have had a chance to review and comment on the package.
- Direct linkage to the Navy's planning, programming, and budgeting system. The fact that the warfare sponsors draft a ROC/POE statement and are required to fund a high percentage (approximately 90 percent) of operational units' personnel requirements ensures their active participation throughout this process. According to the Navy, this active participation, motivated by fiscal discipline, forces warfare sponsors to

make risk assessments and trade-offs when developing their ROC/POE statements.

Requirements Process for Infrastructure-Related Personnel

The Navy uses an "efficiency review" process to determine personnel requirements for its shore establishment. This process determines personnel requirements for all infrastructure activities and a small portion of the Navy's mission activities, such as intelligence, research and development, and command and control—about half the Navy's active personnel. The process was established to determine and document the minimum quantitative and qualitative personnel requirements to perform the Navy's support missions ashore. If carried out as intended, the efficiency review process identifies the best method by which work can be performed and the most efficient resource mix (e.g., military personnel, civilians, and contractors) to accomplish this work. In most cases, however, the process has not been carried out as intended and has become one of justifying existing resource allocations rather than evaluating alternative combinations of people, material, facilities, and organizational structures to ensure that the most cost-effective combination of resources is used, as Navy instructions specify. The Assistant Secretary of the Navy (Manpower and Reserve Affairs) and the Chief of Naval Personnel are to provide policy guidance and program oversight to ensure that integrity is maintained; expected benefits are realized; and policy, standards, and criteria are being adhered to. The Assistant Chief of Naval Personnel for Total Force Programming, Manpower, and Information Resources Management is the Navy's policy and program manager for determining shore personnel requirements. NAVMAC supports this office by providing technical assistance, supporting program management, providing manpower management training, and performing other related tasks.

The shore establishment's personnel requirements process differs in several ways from the process for the operating forces. The biggest difference between the two is the bottom-up approach of the shore process versus the top-down approach of the requirements determination process for operating forces. Personnel requirements for the shore establishment are determined by the Navy's 22 major shore commands,[2] rather than by Navy headquarters, as is the case with the Navy's operating forces. Table 4.1 shows the distribution of active military positions within the Navy's 22 shore commands as of December 1996.

[2]This report uses the term "major command" to refer to the major commanders or bureaus that are authorized personnel resources directly by the Chief of Naval Operations to accomplish assigned missions and tasks.

Table 4.1: Authorized Military Positions Within the Major Shore Commands as of December 1996

Shore Command	Number of personnel
Chief, Bureau of Medicine and Surgery	30,094
Commander-in-Chief, U.S. Atlantic Fleet	25,953
Commander-in-Chief, U.S. Pacific Fleet	23,548
Chief of Naval Education and Training	18,309
Chief of Naval Personnel	8,311
Commander, Naval Reserve Forces	8,669
Chief of Naval Operations	6,528
Commander, Naval Security Group Command	5,860
Naval Computer and Telecommunications Command	5,123
Commander, Naval Sea Systems Command	3,536
Commander, Naval Air Systems Command	3,647
Commander-in-Chief, U.S. Naval Forces Europe	3,759
Commander, Naval Special Warfare Command	1,481
Commander, Naval Oceanography Command	1,180
Assistant for Administration/Under Secretary of the Navy	1,014
Commander, Naval Facilities Engineering Command	1,014
Commander, Naval Supply Systems Command	911
Commander, Naval Intelligence Command	890
Commander, Space and Naval Warfare Systems Command	656
Director, Strategic Systems Programs Office	525
Commander, Military Sealift Command	276
Office of the Chief of Naval Research	172

The process to determine shore requirements begins with a mission, function, task (MFT) statement, or document, that is written by an activity or by the parent shore command and identifies the mission of the organizational component or work center and the work tasked or required of that component. From the MFT statement, efficiency review analysts then develop a performance work statement that identifies authorized work to be done and authorized products or services from individual departments, divisions, or the activity as a whole and establishes standards for quantity of output. It serves as a basis for work measurement, methods improvement, and other industrial engineering and management tools both within and outside the efficiency review process. We found in our review that MFT statements often served as the baseline for performance work statements. While MFTs are a critical part of the shore requirements process, we found that many of the shore commands we reviewed did not devote much time or attention to developing these

statements or ensuring they complied with requirements. An official from one command's efficiency review team told us that MFTs sometimes had to be redone because the activities had written very general statements without the specificity needed for an efficiency review. In many cases, MFTs had not even been prepared at the time of the efficiency reviews or they were out of date. MFTs generally are written without coordination between one shore command and another or with Navy headquarters, even for similar activities. As a result, MFTs for similar activities at different commands can vary widely. According to the Navy, however, this may change as a result of a proposal to standardize MFTs for base operating support functions.

After establishing MFT statements and doing other planning, shore commands conduct efficiency reviews to determine the number of personnel that are needed in their various activities. The Navy allows each command to establish its own procedures to do this as long as the methodology to determine personnel requirements is defendable. According to a NAVMAC official, 4 of the 22 shore commands have centralized teams who conduct efficiency reviews and identify personnel requirements for the various activities within their commands. The other commands have varying structures ranging from very decentralized, where the responsibility for conducting efficiency reviews is left up to each individual activity, to a structure where the parent command provides some guidance and assistance to the activities performing the efficiency reviews.

The process of funding personnel requirements is another difference between the shore establishment and the operating forces. Whereas the Navy's ships, submarines, and aircraft squadrons are funded to at least 90 percent of their identified personnel requirements,[3] the Navy has no such requirement for its shore establishment. Funding is dependent on what the resource sponsors[4] decide they can provide for each of their activities. While the Navy established a funding floor for its operating forces, it did not do this for the shore establishment because it did not believe it could always fund shore requirements at a particular level, according to Navy officials. Therefore, while "minimum requirements" are supposedly identified for specific shore activities, less than 70 percent of

[3]The remaining 10 percent of the requirement, if needed during a contingency operation, is filled with active duty personnel from the shore establishment.

[4]A resource sponsor is responsible for a group of programs and resources constituting certain warfare and supporting warfare tasks. In liaison with other Navy offices, the resource sponsor prepares and justifies a Navy position on resource allocation to ensure a fiscally effective and balanced program.

the identified requirements for some activities are actually funded, according to a Navy official.

Shore Program Criticized by the Congress and Audit Organizations for 25 Years

Congressional questions about the credibility of the Navy's requirements for its shore-based personnel have been raised over many years. Since the early 1970s, the Congress has expressed concern about the various processes the Navy has used to determine personnel requirements for the shore establishment and on several occasions directed the Navy to develop a more rigorous system to justify shore-based personnel needs. In addition, we, as well as other audit organizations, have issued numerous reports identifying weaknesses in the shore requirements processes and the overall shore requirements program. According to Navy officials, the number of changes to the shore requirements program, directed by both internal and external forces, has contributed significantly to the problems the program has experienced throughout the years.

Changes to the Shore Personnel Requirements Program

The Navy has had a number of shore requirements programs over the past 25 years. In 1972, in response to congressional concerns, the Navy began developing the Shore Requirements, Standards, and Manpower Planning System (SHORSTAMPS). This system was to apply work measurement techniques to develop staffing and work measurement standards that could quantify total personnel requirements for military, civilian, and contractor personnel supporting the shore establishment. Seven years later, unsatisfied with the Navy's slow progress in developing staffing standards and quantifying shore-based personnel requirements under the SHORSTAMPS program, the Congress directed that a new implementation plan be developed. In the new plan, the Navy stated that it would be 8 more years before at least 70 percent of the shore population was under staffing standards. In 1983, the Navy incorporated the SHORSTAMPS program, as well as other Navy requirements programs such as the Efficiency Review and Commercial Activities Programs into the new Navy Manpower Engineering Program. The Navy Manpower Engineering Center was created to centrally manage this program.

In 1986, the Secretary of the Navy decided to decentralize the shore manpower requirements program because he did not believe the Navy's investment in overhead personnel at the Manpower Engineering Center and its detachments had proven cost-effective compared with alternative, less costly methods of determining requirements. As a result, the Navy transferred responsibility for shore personnel requirements from the

Manpower Engineering Center to the major shore commands. According to a Naval Audit Service report, the Secretary of the Navy assured the Congress that the Navy would maintain strong centralized control of the requirements determination process while decentralizing execution of the program. The Navy operates under this decentralized process today. Each command is responsible for ensuring that efficiency reviews are conducted using trained analysts under the command's direction. The Assistant Chief of Naval Personnel for Total Force Programming, Manpower, and Information Resources Management provides overall program management.

Similar Concerns Raised Throughout the Years by Audit Organizations

Over the years, reports from us, the Naval Audit Service, and the Naval Inspector General have raised similar concerns about the Navy's process and overall program for determining shore personnel requirements. Many of the same problems have continued to arise, as shown in table 4.2. Our 1985 report, for example, states in the initial pages that the report's findings are many of the same ones highlighted in our 1980 report on the Navy's shore requirements program.[5] The reports attribute the Navy's difficulty in eliminating these problems to the lack of effective Navy oversight and the lack of senior Navy management commitment to the shore requirements program.

[5]Navy Manpower Management: Continuing Problems Impair the Credibility of Shore Establishment Requirements (GAO/NSIAD-85-43, Mar. 7, 1985) and The Navy's Shore Requirements, Standards, and Manpower Planning System (SHORSTAMPS)—Does the Navy Really Want It? (GAO/FPCD-80-29, Feb. 7, 1980).

Table 4.2: Audit Findings of Select Reports on the Navy's Shore Personnel Requirements Program

Audit reports	Slow program implementation	Non-use of standards	Ineffective management oversight and accountability	Reviews not properly conducted	Lack of top Navy management commitment
Report of Command Inspection of Bureau of Naval Personnel (Naval Inspector General, 1994)	X	X	X		
Department of the Navy Efficiency Review Program (Naval Audit Service, 1992)	X	X	X	X	X
Department of the Navy Management Control Program, Accounting Systems Review Process, and the Efficiency Review Program (Naval Audit Service, 1991)	X		X		
Navy Shore Manpower Program: Decision to Decentralize Needs to Be Rethought (GAO, 1987)			X	X	
Navy Manpower Management: Continuing Problems Impair the Credibility of Shore Establishment Requirements (GAO, 1985)	X	X	X	X	X
The Navy's Shore Requirements, Standards, and Manpower Planning System (SHORSTAMPS)—Does the Navy Really Want It? (GAO, 1980)	X	X	X	X	X

Continued Problems Affect Navy's Ability to Manage Shore Establishment

Many of the problems identified in previous audit reports still exist today. For example, major shore commands are still slow to comply with or are not complying with various program requirements, there is still a lack of standards to enable a comparison of one function to another, and efficiency review quality differs from one command to another and often from one activity to another. Few of the shore commands, as well as Navy headquarters, have devoted the attention and resources to make the efficiency review program work as specified in Navy instructions. For most commands, according to a NAVMAC official, the process has become one of justifying existing resource allocation rather than evaluating alternative combinations of manpower, material, facilities, and

organizational structures and ensuring that the most cost-effective combination of resources is used, as required.

Compliance With Program Requirements

In January 1988, the Secretary of the Navy directed the Chief of Naval Operations to establish a requirements baseline for shore requirements and to complete the first 5-year review cycle of all Navy shore activities by the end of fiscal year 1994. The major shore commands were charged with conducting the efficiency reviews that would establish the baseline, and the Director of the Total Force Programming and Manpower Division was designated the program manager, providing overall program oversight. By the end of fiscal year 1994, none of the major shore commands had completed their efficiency reviews. According to a NAVMAC official, this may have been due to a misunderstanding about the required completion date. The deadline was later extended to September 30, 1995. By the end of fiscal year 1995, about 73 percent of the commands had completed their efficiency reviews, but less than 35 percent of them had submitted the results for inclusion in the Navy's Total Force Manpower Management System, the single authoritative source for personnel authorizations data. In a 1995 memorandum to Navy shore commands, the Director, Total Force Programming and Manpower Division stated that the absence of requirements data in this system would be considered evidence that no process was used to determine personnel requirements. As of March 1996, one of the biggest shore commands—U.S. Atlantic Fleet—still had not begun efficiency reviews on 10 percent of its activities and still had a number of other reviews ongoing. Officials estimated needing another year to finish all its work. As of February 1997, Atlantic Fleet officials said just one efficiency review remained to be completed.

Shore commands generally attributed the delay in completing and implementing the efficiency reviews to a lack of resources. In addition, officials responsible for conducting efficiency reviews stated that they often have to respond to other personnel-related taskings from their commands, which takes them away from conducting efficiency reviews. NAVMAC officials stated that strong leadership and command management support enabled some commands, such as the U.S. Pacific Fleet, to respond to efficiency review program requirements.

Staff Training

The qualifications of the staff that perform efficiency reviews has been another area of concern for many years and has affected a command's ability to complete its efficiency reviews in accordance with program

requirements. The veteran analysts we talked with during this review, who had been involved with the shore requirements program for nearly 20 years, told us it takes a combination of training and about 1 1/2 years of experience working with a trained analyst before someone can effectively conduct efficiency reviews.

In our 1980 and 1985 reports, we recommended that the Navy establish personnel management career fields, such as the Air Force has had for its military and civilian personnel for many years. While the Navy included a manpower, personnel, and training core competency in one of its new officer career fields (Fleet Support Officer), it has not taken similar steps for its civilian employees. Navy instructions require shore commands to ensure that efficiency reviews are conducted using trained analysts. According to a NAVMAC official, usually it is left up to the activity to pursue such training. We found in some cases that the individuals conducting efficiency reviews were low-ranking civilians or military personnel who were doing the reviews as a collateral duty, with little or no training. During our initial visits, we found that only two of the six commands we reviewed consistently pursued efficiency review training for their staff. Recently, one other added efficiency review training for some staff.

NAVMAC used to provide efficiency review training for the Navy but recently canceled the course because of budget concerns. NAVMAC officials told us that similar training is available from the other services and that the type of training NAVMAC provides in the future will focus on more Navy-unique systems.

Efficiency Review Quality

Under the current decentralized efficiency review program, each command is responsible for designing and implementing its own program. This includes developing an appropriate methodology, identifying staff to perform the reviews, and providing appropriate training. A number of past audit reports have noted that efficiency review quality differs from one shore command to another. This conclusion was verified by NAVMAC and by findings in a 1994 Navy Inspector General report.[6] The Inspector General report states that efficiency reviews of similar activities performed by different commands are not necessarily consistent or comparable. For example, security, administrative operations, and food services were found within most shore commands and yet no up-to-date standards existed to facilitate comparison from one command to another. In 1996,

[6]Report of Command Inspection of Bureau of Naval Personnel, Naval Inspector General, (Mar. 14-25, 1994).

NAVMAC completed a series of comparative analyses of personnel requirements at various naval air stations. The analyses, while rudimentary, showed variances in the number of personnel at similar activities. According to Navy officials, comparative analyses have become an important part of the Navy's efforts to regionalize and consolidate base operations. In addition, the new shore requirements concept will also stress standardization and comparative analyses.

In August 1995, as part of the Navy's comparative analysis work, the Director, Total Force Programming and Manpower Division, tasked NAVMAC to ensure that (1) shore commands' validated requirements are fully justified; (2) efficiency reviews are a thorough evaluation of alternative combinations of manpower, material, facilities, and organizational structures; and (3) the most cost-effective combination of resources is used. The Director further added that NAVMAC should return efficiency reviews for further analysis if NAVMAC considers the shore commands' reviews inadequate. Likewise, NAVMAC should endorse efficiency reviews that set the best standard. While NAVMAC officials acknowledge that many efficiency reviews have not met the requirements, they have not returned any of these reports to the commands to be redone. Ensuring this level of compliance can only be accomplished through on-site validation visits, according to these officials, and due to NAVMAC's limited staff, this is not possible.

According to NAVMAC officials, some commands devote more resources, provide more training, and place a greater priority on conducting efficiency reviews than do others. As a result, a command's ability to produce quality reviews is affected. For example, according to Pacific Fleet officials, the Pacific Fleet had 57 civilians as of February 1997, many of whom were veteran manpower specialists, and a budget of about $4.4 million to conduct efficiency reviews. The Atlantic Fleet, with a similar population base, had 3 officers, 21 enlisted, and 17 civilians and a budget of about $1.1 million at the same time period to conduct its program, according to Atlantic Fleet officials.[7] The Pacific Fleet was able to complete its efficiency reviews in 1995, but as of February 1997, the Atlantic Fleet was still working on its reviews. Officials at several shore commands told us that the reviews are time-consuming and costly and that the commands would not place a high priority on conducting the reviews unless the commands' resources were threatened for not doing so.

[7]This does not include funding for military personnel.

Proposals Aim to Improve Navy's Ability to Quantify Shore Requirements

During this review, Navy officials stressed that they are aware of and are addressing many of the concerns raised during our review and in past audit reports. For example, Navy officials said they recognize the importance of being able to compare like functions, from one command to the next, and the personnel numbers associated with each function. In 1996, the Navy completed a study of 18 naval air stations to identify common core functions and the commensurate personnel allocated to these functions. The Director, Total Force Programming and Manpower Division, believed that comparative efficiency review analysis was the best way to execute shore requirements oversight responsibilities. According to a NAVMAC official, this comparative analysis effort was incorporated into other shore initiatives discussed in chapter 3, and by the Single Shore process, discussed below.

The Navy has begun work on a revised personnel requirements determination concept called the Single Shore Methodology. According to the Navy, it will take about 1 to 2 years before this process is fully implemented throughout the shore establishment. The process employs a common format for both peacetime and wartime conditions and emphasizes mission, function, and task statements; associated outputs; and allocated personnel assets to accommodate comparative analyses of like functions performed at a variety of commands and under various conditions of readiness. According to Navy officials, the evolving methodology sets the framework for standardization, analysis of like activities, accountability, and management oversight. They believe the development of standardized manpower statements and workload indicators will allow the Navy to more efficiently manage personnel requirements and authorizations.

The Navy believes that the installation management accounting project, described in chapter 3, will also contribute to greater standardization for the shore establishment. With this project, the Navy is working to standardize base operating support functions performed within installations. The focus of this effort is to develop core business functions, establish uniform output measures, and capture all expenses related to those functions to facilitate unit costing.

While these two efforts address long-standing problems—standardization and management oversight—so have past shore requirement proposals. To be successful, the Single Shore process will require significant and sustained up-front labor in the designing of standardized workload indicators and will require continued oversight to ensure that shore

commands understand and use the new process. Most important, the new initiatives will require continued support from Navy leadership to strengthen the shore personnel requirements program and to prevent the problems that occurred in the past.

In its 1994 Bureau of Naval Personnel inspection report, the Naval Inspector General noted that infrastructure end strength reductions are difficult to achieve when the funding of these activities comes from so many different sources. Currently, 17 different entities contribute to the funding of the Navy's shore establishment. In 1994, the Navy consolidated its base operating support functions under the Director of Shore Installation Management. While many of the other shore functions are still split among numerous entities, the Navy believes this recent consolidation will allow greater control over base operating support requirements and facilitate standardization and a comparative analysis of like functions.

Improved Navy Management and Oversight Are Key to Resolving Problems With Shore Requirements Program

In the audit reports issued since the early 1980s, the issue of ineffective management oversight and accountability has been identified as the primary reason why the various shore personnel requirements programs have not been successful. The lack of effective oversight and leadership has prevented the Navy from reconciling long-standing problems. For example, our 1985 report states that although SHORSTAMPS (the requirements program at the time) had a number of defects, the key problem was the absence of monitoring and enforcement to ensure the use of staffing standards and to manage the shore requirements program in accordance with implementation instructions. Yet, 7 years later, the Naval Audit Service's 1992 report states that major shore commands did not provide the quality control oversight required by Navy instructions and that they generally assigned only one or two persons to oversee their entire efficiency review program, which could involve dozens of reviews. Similarly, the report noted that Navy headquarters was not performing on-site reviews as required and was making only limited challenges to obvious efficiency review problems. As of August 1991, Navy headquarters had only one individual assigned to review and approve efficiency review reports, and NAVMAC had just three people assigned, according to the Naval Audit Service report.

Inadequate Navy Oversight and Accountability Fosters Material Management Weaknesses

The Federal Managers' Financial Integrity Act (FMFIA) requires ongoing evaluations of internal agency management controls and accounting systems and annual reports to the President and the Congress on the condition of those systems. FMFIA is not limited to accounting or administrative matters. Rather, it is intended to address the entire range of policies and procedures that management employs to perform its mission efficiently and effectively. In February 1994, the Secretary of Defense directed all Assistant Secretaries of Defense to improve implementation of FMFIA.

Numerous audits by us and DOD organizations have linked the Navy's problems with its shore personnel requirements program to a lack of management oversight and inadequate internal controls. In its March 1992 report, the Naval Audit Service concluded that the internal control system for managing the efficiency review program was not adequate to prevent or promptly detect material errors and irregularities in operations. The findings in this report disclosed numerous material internal control weaknesses; yet, none of the deficiencies were identified through the Management Control Program prescribed by Navy instructions or reported to the Chief of Naval Operations in the annual certification statement regarding compliance with the FMFIA. Seven of the 8 commands in the review did not designate the efficiency review program as an assessable unit. Consequently, they did not perform vulnerability assessments or management control reviews specifically related to the program.

In the past, the Navy has demonstrated that it recognizes the importance of a credible requirements determination process. In its FMFIA Statements of Assurance, the Navy has identified deficiencies in the area of requirements determination for equipment, supplies, materials, training, and systems acquisition. In many instances, according to the Navy, the requirements have been overstated, understated, unrealistic, inadequately supported, or invalid, resulting in unnecessary funding and purchases or hindering fleet readiness because not enough material is available to meet requirements.

Conclusions

The Navy has several programs underway in various stages of implementation that are intended to further define both ship- and shore-based personnel requirements. Some of these programs could result in substantial reductions in personnel. However, without continued high-level Navy support and long-term commitment, there is no assurance that the fate of these proposals will be any different than those of earlier

years. While the Navy has traditionally placed the greatest priority and management attention on its operating forces, given the current budget environment, when the Navy must find billions of dollars in savings to apply to force modernization, shore personnel requirements must come under continued scrutiny. Without an effective shore requirements program, the Navy has no assurance that the resources it is applying to the shore establishment are properly sized to support the operating forces.

Recommendations

To improve the management and allocation of personnel resources to the shore establishment, we recommend that the Secretary of the Navy report to the Secretary of Defense the lack of an effective shore requirements determination program as a material weakness under FMFIA to maintain visibility of the issue and ensure action is taken. We also recommend that the Secretary of the Navy create an action plan with milestones to resolve long-standing problems with the shore personnel requirements program. The plan should specifically explain how the Navy will attempt to overcome the fundamental problems—such as lack of senior Navy management commitment to effective management of the shore establishment and ineffective management oversight and accountability—that have plagued this program.

Matters for Congressional Consideration

Given the long history of congressional concern over the Navy's ability to effectively determine the size and composition of its shore establishment, the Congress may wish to require the Navy to submit its plan of action, with milestones, to the Congress. In addition, as part of this plan, the Congress may also want the Navy to demonstrate its progress and provide specific details on the steps it has taken at headquarters and at the major command level to (1) improve management oversight and accountability of the personnel requirements determination process at all levels; (2) increasingly utilize standardization and comparative analysis of like activities as part of the requirements process; (3) improve staff training and ensure that only technically qualified staff conduct efficiency reviews; and (4) establish a link between the shore personnel requirements process and the Navy's various initiatives to reduce its shore infrastructure, many of which were discussed in chapter 3 of our report.

Agency Comments and Our Evaluation

DOD concurred with our recommendation that the Secretary of the Navy develop an action plan with milestones to ensure that positive results of ongoing initiatives to improve the shore requirements process are

sustained. But DOD only partially concurred with our recommendation that the Secretary of the Navy report the lack of a valid shore requirements determination program as a material weakness under FMFIA. DOD agrees that there have been weaknesses and inconsistencies in the execution of the shore manpower requirements program, but it believes a credible shore requirements program exists in the Navy and that improvements have been and continue to be implemented. DOD believes that the Navy's current initiatives to improve shore infrastructure management are a positive trend toward recognizing past problems and developing solutions to improve oversight and requirements determination. For these reasons, DOD did not agree to report this issue as a material weakness.

While we acknowledge that the Navy has recently undertaken various initiatives to improve the management of its shore establishment and the identification of shore personnel requirements, the Navy has yet to identify how these initiatives will be any different from the many programs and initiatives introduced by the Navy over the past 25 years, which failed to correct long-standing problems with the shore requirements program. We are skeptical, therefore, that these initiatives, however well-intended, will be any more successful—particularly since few have been implemented. Therefore, we continue to believe that the shore personnel requirements program should be reported as a material weakness under FMFIA. We have modified the recommendation somewhat, however, to focus on the effectiveness rather than the validity of the program.

In its comments, DOD stated that the Navy has evaluated this issue in the past. For example, the Navy's Management Control Reviews conducted in July 1993 identified no significant material weaknesses with the program. But, the Navy could not produce any documentation to indicate the basis upon which these decisions were made. We find it difficult to understand how a thorough review of this issue in July 1993 would have identified no significant material weaknesses, particularly because these reviews were conducted immediately after the issuance of numerous audit reports that were critical of the Navy's efficiency review process and shore requirements program, suggesting the presence of numerous potential material weaknesses. Navy headquarters officials did not know whether previous Management Control Reviews had been conducted at the major command level. We believe it is important to assess the efficiency review program at this level, as well as at headquarters, since the commands are responsible for running their own programs and conducting the efficiency reviews.

The Navy also provided technical comments to this report. While we took issue with some of these comments, we incorporated others where appropriate.

Comments From the Department of Defense

UNDER SECRETARY OF DEFENSE
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PERSONNEL AND
READINESS

MAR 28 1997

Mr. Richard Davis
Director, National Security Analysis
National Security and International Affairs Division
U.S. General Accounting Office
Washington, DC 20548

Dear Mr. Davis:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report, "FORCE STRUCTURE: Streamlining Plans Could Enable Navy to Reduce Personnel Below FY 1999 Goal," dated February 21, 1997 (GAO Code 701079/OSD Case 1299). The DoD partially concurs with the report.

The DoD agrees that there have been weaknesses and inconsistencies in the execution of the shore manpower requirements program. The GAO correctly focuses attention on past problems in the shore requirements program that, if not corrected, would prevent the optimum use of human resources.

The Navy is actively applying continuous process improvement and careful planning for measuring manpower requirements, visionary approaches to infrastructure architecture and requirements management. The Navy's Single Manpower Sponsor concept, implemented in January 1995, has enhanced total Navy oversight of manpower requirements. Further, the Navy is changing from process-based to performance-based standardization and oversight. The Navy will ensure that the shore manpower requirements process is consistent with the Government Performance Results Act and the best of private sector practices. Initiatives are also underway to remove inconsistencies in the Efficiency Review (ER) program, stressing standardization and comparative analysis. The establishment of the Shore Installation Management Division (N46), the Installation Managerial Accounting Project, outsourcing in the Commercial Activities program, regional consolidation studies, Smart Base, and similar initiatives conducted under the ER program umbrella demonstrate the Navy's continued commitment to improving and streamlining infrastructure manpower requirements determination.

The Department appreciates the opportunity to comment on the draft report. The DoD detailed comments are provided in the enclosure. Technical changes for accuracy and clarification were provided separately. My point of contact on this matter is CDR Dave Skocik. He can be reached at 614-5133.

Sincerely,

Edwin Dorn

Enclosure:
As stated

GAO DRAFT REPORT, DATED FEBRUARY 21,1997
(GAO CODE 701079/OSD CASE 1299)

"FORCE STRUCTURE: STREAMLINING PLANS COULD ENABLE NAVY TO REDUCE PERSONNEL BELOW FY 1999 GOAL"

DEPARTMENT OF DEFENSE COMMENTS TO
THE GAO RECOMMENDATIONS

RECOMMENDATION 1: The GAO recommended that in order to improve the management and allocation of personnel resources to the shore establishment, the Secretary of the Navy should report to the Secretary of Defense the lack of a valid shore requirements determination program as a material weakness under FMFIA to maintain visibility of the issue and ensure action is taken. (p. 10, 68/GAO Draft Report)

Now on p. 55.

DoD RESPONSE: Partially Concur.

(1) The DoD generally agrees with GAO's comments on the past history of weaknesses and recognizes that some inconsistencies have existed in the execution of shore manpower requirements development. The Navy does have, however, a valid shore requirements determination program. Responsibilities for the Efficiency Review (ER) Program are outlined completely in SECNAVINST 5010.1B and OPNAVINST 5310.14D. As noted in the GAO report, there are claimants that are managing a viable program. While the GAO appears to focus on past problems, there are currently a number of initiatives in place and others underway that have improved oversight and corrected inconsistencies in shore requirements determination. Oversight of manpower requirements today is more stringent than ever. Every single Navy military manpower requirement and authorization change is validated for consistency against activity mission and function, and current fiscal, manpower, and personnel management policies prior to entry into the Total Force Manpower Management System (TFMMS) - the Navy manpower requirements and authorizations database. Along with the regionalization and consolidation initiatives noted in the report, the Navy is implementing a number of other approaches to infrastructure management. A few examples of efforts to improve both oversight and the requirements determination process include:

a. In 1992, the Navy brought on-line the newly designed Total Force Manpower Management System (TFMMS) database. This system provided the means to develop better manpower data analyses by functional codes, and concomitantly, better oversight of manpower requirements at the headquarters level. This system has improved centralized oversight of manpower changes at the activity level and has provided detailed data to perform requirements analysis. Processes are in place to rigorously validate changes to manpower requirements associated with an activity when changes occur due to one or more of the following: missions, functions, tasks (MFTs); workload; equipment; concept or level of operations; and actions taken through the Planning, Programming, and Budgeting System (PPBS) process. Recent promulgation of a decision support tool for manpower managers called the TFMMS Decision Matrix provides strict guidelines and claimant responsibilities for changes to both officer and enlisted manpower requirements

and authorizations. The Naval Manpower Analysis Center (NAVMAC) is currently developing another requirements oversight tool using specific activity sampling criteria. This is scheduled for implementation in September, 1997.

b. The Single Manpower Sponsor (SMS), established in January 1995 by the Chief of Naval Operations, improves Navy oversight and visibility of manpower requirements, programming, and personnel readiness. The Deputy Chief of Naval Operations for Manpower and Personnel (N1) is charged with this mission. The SMS, in conjunction with the Resource Sponsors, actively reviews requirements and funding levels throughout each stage of the PPBS cycle. Through this active assessment and centralized oversight, the SMS acts as an "honest broker" that reviews Resource Sponsor programs for consistency and executability in accordance with programming and manpower guidance.

c. On October 28, 1994, the Director, Total Force Manpower, Programming and Information Resources Management Division (N12) chartered the Manpower Steering Group, with key headquarters and manpower claimant representation, to improve manpower processes. Assessments were conducted among the Navy staff and manpower claimancies to document preliminary recommendations for manpower process improvement. Shore requirements processes were evaluated as a key area for review, leading to the formation of the Shore Requirements Working Group and the Single Shore Process. This early work, which included regional ER studies and comparative analysis, laid the foundation for further standardization and oversight. By standardizing manpower coding conventions within TFMMS and including the results of the Installation Managerial Accounting Project (IMAP) and Smart Base initiatives in requirements determination process improvements, the Navy is pursuing a more performance-based approach involving greater use of technology for data collection and providing greater visibility of requirements drivers to all levels of management. The evolving methodology sets the framework for new levels of standardization, analysis of like activities, accountability, management oversight, and a vision for a future dynamic shore manpower requirements system.

d. Plans are underway to link three major Navy automated information systems: TFMMS, the Defense Civilian Personnel Data System (DCPDS), and the Standard Accounting Reporting System/Field Level (STARS/FL) to permit affordable and un-intrusive standardization and oversight of the Navy's shore requirements determination program. Naval Manpower and Analysis Center (NAVMAC) will begin monitoring IMAP functional reporting to the STARS/FL database in October 1997, with plans to test the viability of functional cost data as a basis for comparative analysis and programmatic feedback in May 1998.

e. Consistent with oversight responsibilities, NAVMAC was an active and key participant in the N46 Shore Efficiency Review Process Action Team (SERPAT) regionalization studies. These studies were part of the ER process and were consistent with the original ER directives specifying a top-down approach to review and identify functions that could be consolidated and thereby achieve efficiencies. During this process more than 26,755 manpower requirements were reviewed.

f. Smart Base, which will serve as the basis for all business process re-engineering, as coordinated with the Office of the Secretary of Defense, may become the focal point for the integration of shore installation management initiatives.

(2) The GAO states that by the end of 1994, none of the major shore commands had completed their baseline ERs, and that by the end of fiscal year 1995, only 73 percent had been implemented (p. 60). TFMMS at that time was in a constant state of flux as a result of BRAC, POM/PR adjustments, re-engineering studies and regionalization and consolidation initiatives. Claimants were given a one year extension to allow for the rapid adjustments. By the end of FY 1995, 93.5 percent of the ERs were completed. To date, 100 percent ER coverage has been completed, and 92.5 percent have been entered into TFMMS.

(3) The shore requirements determination process is already reviewed under the Management Control Review (MCR) Program. During 1992, the Navy validated its Assessable Unit inventory for the upcoming Management Control (FMFIA) Program five-year cycle (FY 1993 through FY 1997). As part of this process, Vulnerability Assessments were conducted on the Efficiency Review Program by the Assistant Chief of Naval Personnel for Total Force Programming and Manpower (Pers-5), and on the Shore Requirements Determination process by the Commander, Naval Manpower and Analysis Center (NAVMAC). As a result of these assessments, MCRs were scheduled for July 15, 1994. The Secretary of the Navy, in a separate and subsequent initiative, tasked the Chief of Naval Operations to conduct MCRs during FY 1993 which included the area of requirements determination. Subsequently, both Pers-5 and NAVMAC conducted MCRs in July 1993. This was documented in the Deputy Chief of Naval Operations (N1)/CHNAVPERS Management Control Certification Statement forwarded to the Vice Chief of Naval Operations on September 20, 1993. There were no significant material weaknesses identified in the manpower requirements determination process. During 1997, the Navy is scheduled to validate the Assessable Unit inventory for the DoD Management Control Program five-year cycle (FY98 through FY02). As a part of this effort, Navy will again assess the management control risks of the Efficiency Review Program and attendant processes associated with Shore Requirements Determination. If these assessments indicate an MCR is warranted, one will be conducted. The findings of this GAO report will be considered in that review. Any material management control weaknesses noted will be reported in the FY98 Deputy Chief of Naval Operations (N1)/CHNAVPERS Annual Certification Statement, scheduled for completion in September 1998.

(4) The Department of Defense does not agree that the Secretary of the Navy should report to the Secretary of Defense the lack of a valid shore requirements determination program as a material weakness under FMFIA based upon this report alone. The Department of the Navy views the aforementioned record of activity as a positive trend in recognition of past problems and development of solutions to improve oversight and requirements determination. Though still evolving, a credible program exists and improvements have been and continue to be implemented.

RECOMMENDATION 2: The GAO recommended that in order to improve the management and allocation of personnel resources to the shore establishment, the Secretary of the Navy create an action plan with milestones to resolve long-standing problems with the shore personnel requirements program. The plan should specifically explain how the Navy will attempt to

Now on p. 55.

overcome the fundamental problems - such as lack of senior Navy management commitment to effective management of the shore establishment and ineffective management oversight and accountability - that have plagued this program in the past. (pp. 10-11, p. 68/GAO Draft Report)

DoD RESPONSE: Concur.

(1) Management of the shore manpower requirements program is the responsibility of the fleet leadership. To improve standardization across claimancies, the Navy has completely revised the Total Force Manpower Management Policies and Procedures Instruction (OPNAVINST 1000.16), the Navy guide for manpower policy. The draft version is being distributed now for final review with final promulgation planned for July 1997. This instruction will provide further guidance on the Shore Manpower Requirements Determination Program, along with a handbook of commonly used tools and techniques for determining shore requirements. The handbook will be updated as the program evolves. In addition to the aforementioned initiatives, numerous efforts are underway to ensure the Navy's future shore manpower requirements processes are consistent with the Government Performance Results Act and private sector practices. The establishment of the Shore Installation Management Division (N46), outsourcing under the Commercial Activities program, regional consolidation studies, Smart Base and like initiatives conducted under the ER program umbrella, demonstrate senior Navy leadership commitment to ensuring infrastructure manpower requirements are correct and streamlined. The Navy's outstanding performance in sustaining personnel readiness in support of the fleet during declining budgets and vision for the future of infrastructure management demonstrate Navy leadership's high level of commitment to effective management oversight and accountability.

(2) The Department of Defense does agree on the need to ensure that positive results of ongoing initiatives are sustained. Therefore, the Secretary of the Navy will devise and implement a plan of action and milestones that properly integrates the results of the Navy's ongoing initiatives into the shore manpower requirements processes.

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